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April 29, 2008

VIA E-MAIL AND REGULAR MAIL

Susan Barker Andrews
Kansas Department of Health
& Environment
Legal Department
1000 S.W. Jackson, Suite 560
Topeka, KS 66612-1368

Re: *CECO Site*
4105-4219 W. Pawnee, Wichita, Kansas
KDHE Project Code C2-087-72193

Dear Susan:

This letter restates and supplements my April 1997 letter to Pat Casey in which I discussed the corporate history of NCR as it relates to the above-referenced site. The purpose of this letter is to demonstrate to KDHE that NCR has never been an owner or operator with respect to any radium manufacturing at the CECO Site in Wichita.

Introduction

All activities of Electronic Communications, Inc., ("ECI") that generated radium at the CECO Site had stopped, at the latest, in 1968. Any and all releases were caused by ECI or its predecessors and occurred almost exclusively before NCR acquired any ECI stock in 1968. NCR was not a tenant at the CECO facility until 1972, well after all radium manufacturing and storage activities had ceased and the building had been thoroughly cleaned.

NCR was an ECI stockholder from 1968 until 1976 when E-Systems, Inc. purchased all of ECI's from NCR. ECI was always a separate corporate entity; NCR was always a mere stockholder and nothing more. The record shows that NCR always dealt with ECI at arm's-length. NCR is not liable for the activities of its former independent subsidiary. Only ECI or its successors are responsible for any radium contamination at the CECO site.

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Superfund

In *United States v. Bestfoods*,¹ the U.S. Supreme Court held that even CERCLA does not allow the government to impose liability on a parent corporation for the acts of its separate corporate subsidiary.

The Court said, "It is a general principle of corporate law deeply 'ingrained in our economic and legal systems' that a parent corporation (so-called because of control through ownership of another corporation's stock) is not liable for the acts of its subsidiaries."² Quoting from several noted authorities, the Court went on:

("Neither does the mere fact that there exists a parent-subsidary relationship between two corporations make the one liable for the torts of its affiliate"); ("Ordinarily, a corporation which chooses to facilitate the operation of its business by employment of another corporation as a subsidiary will not be penalized by a judicial determination of liability for the legal obligations of the subsidiary"); ("Limited liability is the rule, not the exception"); ("A corporation and its stockholders are generally to be treated as separate entities"). Thus it is hornbook law that "the exercise of the 'control' which stock ownership gives to the stockholders . . . will not create liability beyond the assets of the subsidiary. . . . Although this respect for corporate distinctions when the subsidiary is a polluter has been severely criticized in the literature . . . nothing in CERCLA purports to reject this bedrock principle, and against this venerable common-law backdrop, the congressional silence is audible."³

Operations at the CECO Site before NCR Acquired any ECI Stock

In the mid 1960's, Standard Precision, a division of Electronic Communications, Inc., manufactured new aircraft instruments and refurbished used instruments at the CECO facility.⁴ By the mid-60s, and no later than December 8, 1966, the CECO facility did not use radium paint on any of its products.⁵ The only radium material on site was pre-existing paint on used instrument dials that were being refurbished.⁶ The only radium waste at the facility was from pre-existing paint removed from used instruments.⁷

¹ 524 U.S. 51 (1998)

² 524 U.S. at 61-62 (citations omitted).

³ *Id.*

⁴ Prospectus dated August 2, 1968, Exhibit A; December 8, 1966 Inspection Report, Exhibit B, ¶ A.5. The Prospectus indicates that Standard Precision was operated as a division, not as a separate corporation. "ECI acquired this division (*then a separate corporation*) in 1959." Prospectus, p. 23 (emphasis added). The General Manager of Standard Precision was a corporate vice president of Electronic Communications, Inc. Exhibit B, ¶ A.2.(a).

⁵ Exhibit B, ¶ B.1.

⁶ *Id.*, at ¶ A.6.

⁷ *Id.*, at ¶¶ A.5 & 6 and B.1.

In 1967 (and again in 1969) the facility was thoroughly cleaned. On July 11, 1967, a contractor wrote to Standard Precision indicating that the entire facility had been cleaned to levels that were acceptable to the Department of Health, except as noted.⁸

NCR's Acquisition, Ownership and Sale of ECI's Stock

On May 20, 1968, NCR, then known as National Cash Register Company, entered into an agreement with ECI whereby NCR would trade one share of NCR stock for two shares of ECI stock.⁹ By September 1968, NCR had successfully acquired approximately 95.2% of the outstanding stock in ECI.¹⁰ Because NCR was a stockholder, and there was no merger, NCR acquired none of the liabilities of ECI or its predecessors. In a February 10, 1969 memo, NCR's controller, J. H. Combes, instructed NCR personnel about the relationship between the two companies, making it clear that NCR was to deal with ECI at arm's length.¹¹

On January 16, 1969, the Department of Health found that there "*had been* little use" of the radium paint stripping area at the CECO facility and that ECI planned to disassemble the stripping room.¹² It thus appears that sometime between July of 1967 and January 1969 (four months after NCR had acquired its ECI stock) ECI had ceased its aircraft instrument refurbishing business.

The Department revisited the facility less than two months later finding that the stripping room had been remodeled and was being prepared as a storage area.¹³ There was a very small quantity of radium waste in a sink and on a hood that had been removed and placed behind the building and "two or more" instruments with radium dials or hands in storage.¹⁴ The facility had been cleaned and repainted and no areas of unacceptable contamination were found.¹⁵ ECI specifically told the Agency that there were no plans to use the instruments that were in storage.¹⁶

⁸ These remediation activities are described in the attached Exhibits C, D and E.

⁹ Exchange Offer Agreement dated May 20, 1966, Exhibit F at ¶ 6.4. Note that the Exchange Offer Agreement specifically provides that ECI will not have any operating subsidiaries other than ownership of one-half of the stock in Scott Electronics Corporation. Exchange Offer Agreement at ¶ 5.21.

¹⁰ September 17, 1968 Press Release, Exhibit G.

¹¹ Exhibit H.

¹² January 16, 1969 Inspection Report, Exhibit I. (emphasis added).

¹³ March 7, 1969 Inspection Report, Exhibit J.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

On April 21, 1970, the Department inspected the facility finding that the main activity at the facility was the manufacture of computer components for IBM which did not involve any radioactive material.¹⁷ The entire radiological program at the facility consisted of storing five aircraft dials containing radium¹⁸ (which accounts for ECI's renewal of its radiological license in June 1970).¹⁹ The inspector specifically noted that the "...licensee is no longer involved with dial stripping or any other work using radioactive material."²⁰ There were no items of noncompliance, indications of incidents or accidents, or unusual conditions at the facility.²¹ The inspector recommended that the next inspection not occur for three more years.²²

By 1971, NCR had acquired 99.8% of the outstanding ECI stock.²³ On December 29, 1971, ECI was merged into ECI Merger Corporation, a new corporation wholly owned by NCR, and the old ECI ceased to exist.²⁴ ECI Merger Corporation then changed its name to Electronic Communication, Inc.²⁵ In effect, NCR bought out the minority stockholders and paid them the value of their ECI stock. NCR then owned all of the stock in ECI and continued to operate ECI as a separate subsidiary. Because this was a stock transaction and not a transfer of assets, ECI Merger Corporation acquired all of old ECI's assets and liabilities, including any liability for environmental conditions. New ECI remained a separate corporation, wholly-owned by NCR.

On January 3, 1972, ECI paid NCR an asset dividend, consisting of all of ECI's physical assets at ECI's Standard Precision Division in Wichita.²⁶ The dividend specifically excluded any money or securities owned by ECI.²⁷ After the January 3, 1972 dividend, the name of the Wichita facility was changed from "ECI, Standard Precision Division" to "NCR Data Terminals Division Wichita Plant."²⁸

This was a pure asset transfer and a pure dividend; it was not a stock transaction. There is nothing in the reorganization of ECI and payment of the asset dividend to NCR that transferred any liability from the old ECI to NCR. Instead, all of old ECI's liabilities flowed directly into ECI Merger Corporation, renamed ECI, and were retained there.

¹⁷ April 21, 1970 Inspection Report, Exhibit K at ¶ C.1.

¹⁸ *Id.*, at ¶¶ K. & C.2.

¹⁹ See Exhibits L & M.

²⁰ *Id.*, at ¶ C.3.a.

²¹ *Id.*, at ¶¶ A.8.b., A.9. & A.10.

²² *Id.*, at ¶ A.11.

²³ December 22, 1971 Minutes of Meeting of NCR Board of Directors, Exhibit N, p. 3.

²⁴ December 30, 1971 Minutes of Meeting of Electronic Communications, Inc., Exhibit O, p. 3.

²⁵ *Id.*, p. 1. See also, Plan of Merger of Electronic Communications, Inc. into ECI Merger Corp., Exhibit P.
²⁶ Exhibit O, p. 2.

²⁷ *Id.*

²⁸ Undated Press Release entitled "Wichita Plant Becomes Operating Unit of NCR," Exhibit Q.

On December 30, 1971, and prior to the ECI reorganization and the dividend described above, ECI entered into an agreement with EDO Corporation for the sale of two of the major product lines which had been produced by ECI at its Standard Precision Division: the "air speed and vertical speed indicators" and the "high cost and low cost fuel system indicators".²⁹ This transaction conveyed the entire product line, including the manufacturing equipment, patents, and spare parts.³⁰ ECI retained all of the benefits of this sale.³¹

On September 7, 1972, NCR entered into an agreement with Aerosonic Corporation to sell additional product lines which had been manufactured by ECI's Standard Precision Division.³² The product lines sold were the "air-driven horizontal and directional aircraft gyroscopes" and "electrically-driven horizontal and directional aircraft gyroscopes." This agreement also included all manufacturing equipment, tooling, parts inventory, patents and the like.

ECI's radiological license expired by its own terms on July 31, 1972, and there were no requests that the license be renewed.³³ NCR never applied for or held a radiological license for the CECO Site. There was a final inspection of the CECO Site on February 16, 1973 at which NCR stated to the inspector that it "...has no intentions of becoming involved with radioactive material..."³⁴

In late 1973, NCR moved its operations to the east side of Wichita.³⁵ All of NCR's manufacturing activity at the CECO facility had been transferred to a plant on North Rock Road in Wichita by December 31, 1973. Thus, NCR conducted operations at the CECO facility only between January 31, 1972 and December 31, 1973, a period just short of two years.³⁶ None of NCR's operations at the CECO Site involved radium.

²⁹ Agreement of Sale dated December 30, 1971, by and between ECI and EDO Corporation Exhibit R.

³⁰ *Id.*

³¹ Exhibit O, p. 2.

³² Agreement of Sale dated September 7, 1972, as amended October 2, 1972, by and between NCR and Aerosonic Corporation, Exhibit S.

³³ See, Exhibit M, Item 4.

³⁴ Exhibit T.

³⁵ Affidavit of Kirk Hamersky, dated October 23, 1996 attached to the motion for summary judgment filed in *McClure v. NCR Corporation* Sedgwick County District Court Case No. 96 C 700, Exhibit U.

³⁶ *Id.*

On July 21, 1976, the NCR Board of Directors approved the sale of all of the ECI stock to E-Systems, Inc., a Delaware corporation, for \$19 million.³⁷ When ECI was sold to E-Systems, the liability followed the sale of that stock.³⁸ As noted above, NCR's sale of stock to E-Systems is consistent with continued ownership of stock in ECI and inconsistent with any NCR/ECI merger.

Throughout NCR's ownership of ECI's stock, ECI was a separate corporation, was never merged into NCR, and was dealt with at arm's-length

NCR cannot be liable for the activities of its independent subsidiary. ECI and NCR were separate corporations with distinct corporate identities. There were manufacturing operations at the CECO Site for some years before NCR first acquired its stock in ECI. When NCR acquired ECI stock in 1968, and until the 1971 reorganization, ECI had minority stockholders. Accordingly, NCR had a fiduciary obligation to the minority stockholders to respect the separate corporate status of ECI, and it did so. Moreover, the Standard Precision Division was not merged into NCR in 1972 and ECI was never merged with NCR. Instead, only assets were acquired and NCR did not continue the business of the Standard Precision Division but made a fundamental shift in the manufacturing operations at the site. In 1976, NCR sold all of its ECI stock to E-Systems; it could not have sold that stock if ECI and NCR had merged in the meantime. At all times, ECI was a separate corporate entity from NCR. The liability associated with any releases stayed with ECI because NCR, as a shareholder, has no liability for the acts of its separate corporate subsidiary.

NCR has never owned the CECO Site. Because NCR was never the owner or operator at the CECO Site when radium manufacturing and storage were taking place, NCR has no liability for any radium contamination at the site.

Raytheon's acquisition E-Systems and of ECI

NCR has previously suggested that KDHE contact Raytheon, the current owner of E-Systems, about this site and KDHE has done so. Raytheon's responses to KDHE inquiries fail to adequately address Raytheon's liability at the site.

³⁷ July 21, 1976 Minutes of Meeting of Board of Directors of NCR, Exhibit V.

³⁸ Agreement dated as of July 30, 1976 between NCR and E-Systems, Inc., Exhibit W.

In letters to KDHE dated October 8, 1998³⁹ and July 31, 2002⁴⁰ Molly Brown argues that NCR has incurred some sort of indirect liability by virtue of a "product line" theory. She cites no cases in support of her theory and it is not applicable for several reasons, including the fact that NCR did not continue to produce the same products or use the same name, and ECI was not dissolved.

Ms. Brown goes on to point out that E-Systems did not purchase the stock in ECI until 1976 and therefore had nothing to do with the facility during its operation. Raytheon's argument misses the point. The liability for releases of radium materials and the solvents associated with those materials was created by the direct activities of Standard Precision, a division of ECI. Thus, ECI is the entity that has all of the liability. That liability follows ECI wherever it goes. E-Systems acquired ECI's stock and then Raytheon acquired E-Systems' stock.⁴¹ The liability, including the environmental liability, followed ECI; liabilities did not follow the asset dividend to NCR. Note also that none of Ms. Brown's letters address whether ECI was merged into E-Systems or whether E-Systems and/or ECI ever merged into Raytheon.

Summary and Conclusion

This discussion, the referenced facts and the documents support the following factual and legal conclusions:

- ✓ ECI or its successors is responsible for any radium contamination on the site.
- ✓ Sometime between July of 1967 and late 1968, ECI ceased its aircraft instrument refurbishing business.
- ✓ In 1967 and again in 1969, the facility was thoroughly cleaned.
- ✓ All radiological releases occurred almost exclusively before NCR acquired any ECI stock in 1968.
- ✓ NCR never owned the CECO facility.
- ✓ NCR was not a tenant at the CECO facility until 1972.
- ✓ NCR's activities at the site were limited to a two-year period and involved computer manufacturing, *not* radium manufacturing.

³⁹ Exhibit X.

⁴⁰ Exhibit Y.

⁴¹ Letter from Molly Brown to John Monroe dated August 28, 1998, Exhibit Z.

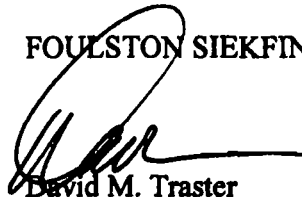
- ✓ There is no evidence that NCR ever caused any releases of radium. Without such evidence NCR's share of liability for costs of the investigation and any remediation at this site is limited only to any possible non-radiological releases while it operated the facility in 1972 and 1973.
- ✓ The record is devoid of proof of *any* releases of any contaminants during the 1972-1973 time period.
- ✓ Even CERCLA does not allow the government to impose liability on a parent corporation for the acts of its separate corporate subsidiary.
- ✓ "Limited liability is the rule, not the exception"
- ✓ NCR owned stock in ECI from 1968 until 1976, but ECI was always a separate corporate entity; NCR was a mere stockholder and nothing more.
- ✓ There is nothing in the reorganization of ECI and payment of the asset dividend to NCR that transferred any liability from ECI to NCR. Instead, all of old ECI's liabilities flowed directly into ECI Merger Corporation and were retained there. Those liabilities were then transferred to E-Systems, which Raytheon eventually acquired.
- ✓ ECI and NCR sold ECI's product lines in 1971 and 1972 and changed the name and operations of the facility.
- ✓ Raytheon has failed to demonstrate that it should not be held liable for the radiological contamination at the site.

NCR has cooperated with KDHE and has incurred substantial expense to conduct an investigation and provide KDHE with an extensive written report regarding conditions at the site. NCR's past contribution is, at a minimum, consistent with and in proportion to its activities at the site. Accordingly, we respectfully suggest that KDHE seek future costs from others.

We look forward to discussing these matters and any others that KDHE wishes to address when we meet on Thursday. Meanwhile, if you have any questions, please don't hesitate to call me.

Very truly yours,

FOULSTON SIEKFIN LLP



David M. Traster

DMT/pb
Enclosures

PROSPECTUS

The National Cash Register Company

468,529 Shares of Common Stock

(\$5.00 par value)

EXCHANGE OFFER

To holders of common stock of Electronic Communications, Inc.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE EXCHANGE OFFER

The National Cash Register Company ("NCR") hereby offers to exchange shares of its Common Stock for shares of common stock of Electronic Communications, Inc. ("ECI") at the rate of one share of Common Stock of NCR for each two shares of common stock of ECI, subject to the terms and conditions more fully set forth herein under "Exchange Offer to Holders of Common Stock of Electronic Communications, Inc."

The Exchange Offer to the holders of common stock of ECI will expire at 3:30 P. M., New York local time on September 3, 1968, but it may be extended for not more than 30 days as herein provided.

NCR is informed that certain stockholders of ECI may exchange shares of ECI common stock for shares of NCR's Common Stock, and thereafter such stockholders or persons purchasing from them may offer and sell shares of NCR's Common Stock through transactions on the New York Stock Exchange or otherwise, at market prices prevailing at the time of sale or at negotiated prices and without payment of any underwriting discounts or commissions, except usual and customary distributor's or salesman's commissions paid to brokers or dealers. Such stockholders or other persons may be deemed to be "underwriters" within the meaning of the Securities Act of 1933.

EXCHANGE AGENT

Registrar and Transfer Company
15 Exchange Place
Jersey City, New Jersey 07302

FORWARDING AGENT

First National City Bank
Corporate Trust Department
55 Wall Street
New York, New York 10015

The date of this Prospectus is August 2, 1968.



No dealer, salesman or any other person has been authorized to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offer contained in this Prospectus and, if given or made, such other information or representations must not be relied upon as having been authorized by NCR. This Prospectus does not constitute an offer by NCR to sell securities in any state to any person to whom it is unlawful for NCR to make such offer in such state.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of NCR or ECI since the date hereof.

Until September 12, 1968 all dealers effecting transactions in the registered securities, whether or not participating in this Exchange Offer, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters or otherwise in connection with the Exchange Offer and with respect to their unsold allotments or subscriptions.

REGISTRATION STATEMENT

The information contained herein under the headings "History and Business of ECI", "Description of Common Stock of ECI" and "Management of ECI" and the financial data with respect to ECI included in the "ECI Statements of Income" and its financial statements constituting a part hereof were furnished to NCR by ECI for inclusion in this Prospectus.

NCR has filed with the Securities and Exchange Commission, Washington, D. C., a registration statement (herein together with all amendments thereto, sometimes referred to as the Registration Statement) under the Securities Act of 1933, as amended, with respect to the shares of Common Stock covered by this Prospectus. For further information with respect to NCR and the Common Stock, reference is made to the Registration Statement, including the exhibits and financial statements which are a part thereof. A copy of the Registration Statement may be obtained from the Commission's principal office in Washington, D. C. upon payment of the fee prescribed by the Commission's Rules of Practice, or examined there without charge.

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EXCHANGE OFFER
TO HOLDERS OF COMMON STOCK OF
ELECTRONIC COMMUNICATIONS, INC.

The Exchange Offer

Not exceeding 468,529 shares of Common Stock of the par value of \$5 each of NCR covered by this Prospectus are being offered to the holders of common stock, par value \$1 per share, of ECI in exchange for their shares of common stock of ECI, at the rate of one share of Common Stock of NCR for each two shares of common stock of ECI. Upon the "Closing Date" of this offer, or as promptly as practicable thereafter, and subject to the satisfaction of the conditions referred to below, NCR will issue and deliver to Registrar and Transfer Company of Jersey City, New Jersey, as Exchange Agent, for distribution to the stockholders of ECI who have accepted the offer one share of Common Stock of NCR for each two shares of common stock of ECI deposited in acceptance of the offer. The Agreement, dated as of May 20, 1968, between NCR and ECI, setting forth the terms and conditions of the Exchange Offer, is filed as an exhibit to the Registration Statement of which this Prospectus is a part and is incorporated herein in its entirety by this reference.

The exchange ratio was determined by negotiation between the management of NCR and the management and the Board of Directors of ECI after consideration of various relevant factors, including the possible advantages which are expected to accrue from a joining of the two companies and the acceptability of the Exchange Offer to the holders of common stock of ECI.

Approval of Exchange Offer

NCR has been advised that the Board of Directors of ECI has unanimously approved the Exchange Offer and has recommended that the holders of common stock of ECI accept it. NCR has also been advised that on June 24, 1968 directors and officers of ECI and members of their families owned a total of approximately 111,000 shares of common stock of ECI (approximately 12.5% of the amount outstanding) and that they have indicated that they intend to accept the Exchange Offer. In addition, NCR has been further advised that on that date trusts established for the benefit of members of the William H. Donner family owned 207,176 shares of common stock of ECI (approximately 23.3% of the amount outstanding). Mr. Duncan Miller, a director of ECI, is president of The Donner Corporation which advises with respect to the investments of certain Donner family trusts, and Mr. Miller has advised NCR that The Donner Corporation will recommend that such trusts accept the Exchange Offer.

Acceptance of Offer

The holders of common stock of ECI may accept this offer on or before its "Expiration Date" by depositing their certificates representing shares of such common stock, accompanied by a properly executed Acceptance of Exchange Offer, in the form accompanying this Prospectus, with

Registrar and Transfer Company
15 Exchange Place
Jersey City, New Jersey 07302

The certificates shall not be endorsed. The form of Acceptance of Exchange Offer must be filled in, manually signed in accordance with the instructions contained on the back of the form, and accompanied by supporting papers where required. Any defect in the completion of the form of Acceptance of Exchange Offer may be waived by NCR at its option. For the convenience of ECI stockholders who so desire, the stock certificates and acceptance forms may also be sent, for forwarding to the Exchange Agent, to the following Forwarding Agent:

First National City Bank
Corporate Trust Department
55 Wall Street
New York, New York 10015

Additional copies of the form of Acceptance of Exchange Offer and of this Prospectus may be obtained upon request to either the Exchange Agent or the Forwarding Agent or to

The National Cash Register Company
Main and K Streets
Dayton, Ohio 45409
Attention of the Secretary

Electronic Communications, Inc.
1501 72nd Street North
St. Petersburg, Florida 33733
or
Attention of the Secretary

NCR will accept telegraphic tenders received at the office of the Exchange Agent on or before the Expiration Date, provided that such telegraphic tenders are signed by a bank or trust company having an office or correspondent in New York, N. Y. or by a firm or corporation which is a member of the New York Stock Exchange or the American Stock Exchange Clearing Corporation, and state the number of shares of common stock of ECI tendered for exchange, the names of the registered holders thereof, and also state that such stock certificates, together with the duly executed Acceptance of Exchange Offer, have been deposited in the United States mail, addressed to the Exchange Agent, on or before the Expiration Date. Telegraphic tenders will be deemed a deposit with the Exchange Agent.

The deposit of shares of common stock of ECI with the Exchange Agent will be irrevocable but if, on the Expiration Date, less than 80% of the shares of common stock of ECI issued and outstanding on such date have been deposited with the Exchange Agent, then the Exchange Offer will terminate, and all stock certificates and related documents which have been deposited with the Exchange Agent will be returned to the depositing stockholders, without expense to them, as promptly as practicable. Reference is also made to "Conditions of the Exchange Offer" and "Tax Ruling" below.

No charge will be made to exchanging stockholders for any transfer taxes, if any, or for fees or expenses of the Exchange Agent or the Forwarding Agent in connection with the exchange. All such charges will be borne by NCR.

Expiration Date

This offer will expire at 3:30 P.M. New York local time on September 3, 1968 but it may be extended by NCR from time to time but not beyond October 3 by written notice of extension delivered to the Exchange Agent. Notice of any such extension will be publicly announced. Such date, or such extended date, is called the "Expiration Date".

Notwithstanding the expiration of the Exchange Offer, NCR reserves the right, if the Exchange Offer is consummated, to effect, after the Expiration Date, exchanges of common stock of ECI for Com-

mon Stock of NCR upon substantially similar terms as those of the Exchange Offer, provided that no such exchanges will be made which might have the effect of altering the tax consequences of the transaction to the stockholders of ECI who have accepted the Exchange Offer; however, there is no assurance that any such exchanges will be made.

Closing Date

The Closing Date of this offer shall be the tenth day next succeeding the Expiration Date, excluding Saturdays, Sundays and legal holidays, or as soon thereafter as practicable.

ECI Dividend

On July 31, 1968 the Board of Directors of ECI declared the regular quarterly dividend of 5 cents a share on the common stock of ECI payable October 15, 1968 to holders of record at the close of business on September 12, 1968. Stockholders of ECI who accept the Exchange Offer and deposit their shares with the Exchange Agent will be entitled to this dividend whether or not the Exchange Offer is consummated.

Fractional Interests

No fractional shares will be issued to the ECI stockholders under the terms of the Exchange Offer. Provision has been made in the form of Acceptance of Exchange Offer to permit a stockholder of ECI who is entitled to a fractional interest in a share of Common Stock of NCR on the Closing Date to instruct the Exchange Agent as agent for such stockholder to sell such fractional interest or to purchase an additional fractional interest sufficient to make up one full share of Common Stock of NCR. Instructions to purchase will be matched off against fractional interests to be sold. As promptly as practicable after the Closing Date the Exchange Agent in its discretion will effect the purchase or sale, as the case may be, on the New York Stock Exchange or otherwise, of full shares representing excess fractional interests. All purchases and sales will be adjusted on the basis of the average market prices at which the transactions are effected by the Exchange Agent in the settlement of fractional interests. The Exchange Agent will remit by check to holders of fractional interests who elect to sell and will bill purchasers who elect to purchase additional fractional interests. If payment for the fractional interest purchased is not received within 30 days after the date of billing, the full share acquired will be sold. Stock transfer taxes and service and brokerage charges on the purchase or sale of fractional interests will be apportioned among the stockholders of ECI involved, as payment of such charges by NCR might adversely affect the tax-free status of the Exchange Offer.

Conditions of the Exchange Offer

The consummation of the Exchange Offer on the Closing Date is subject to the satisfaction of the conditions set forth in the Agreement, dated as of May 20, 1968, between NCR and ECI which conditions are designed to give NCR assurance as to the validity of the incorporation and good standing of ECI, its capitalization, assets, liabilities and financial condition, the nature of its contractual obligations and commitments, the absence of material adverse changes in its capitalization, assets, liabilities and financial condition since the date of the last balance sheet of ECI included in this Prospectus, the title to its properties (such title being that ordinarily required by a purchaser of like property), the absence of materially adverse litigation, and other matters of a similar nature. All of these conditions are provided for the benefit of NCR and any or all of them may be waived by it, in whole or in part.

If, on the Closing Date, any of these conditions is not satisfied or waived by NCR, all stock certificates and related documents which have been deposited with the Exchange Agent will be returned to the depositing stockholders, without expense, as promptly as practicable.

Tax Ruling

The consummation of the Exchange Offer is also subject to the condition that on or before the Closing Date a ruling from the U. S. Internal Revenue Service to the effect that no gain or loss for Federal income tax purposes will be recognized to any stockholder of ECI upon the exchange of his shares of ECI common stock for shares of NCR Common Stock pursuant to the Exchange Offer shall have been received by ECI. This condition may not be waived by NCR.

Solicitation of Exchanges

Solicitation of exchanges pursuant to the Exchange Offer will be made by mail. In addition, officers and employees of NCR and of ECI may solicit exchanges personally or by telephone, telegraph or mail, but they will not receive any fee or commission in connection therewith. NCR may engage paid solicitors to solicit exchanges and will reimburse banks, brokers and dealers, nominees and other custodians or fiduciaries for postage and reasonable clerical expenses in forwarding the Exchange Offer to their customers or principals.

There are no underwriting arrangements in connection with the Exchange Offer. However, paid solicitors who may be engaged to solicit exchanges may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act of 1933 by reason of their services and NCR may indemnify such persons against certain liabilities including liabilities under that Act.

Effects of Failure to Exchange

The common stock of ECI is listed on the American Stock Exchange. Upon consummation of the Exchange Offer, there is a possibility that ECI shares may be delisted under the distribution requirements of such Exchange.

In addition, if the number of holders of record of the common stock of ECI is reduced to less than 300 persons, the registration of such stock under the Securities Exchange Act of 1934 may be terminated and thereafter ECI will not be subject to the reporting requirements of that Act so that financial and other information required to be furnished under that Act may not be available to the minority holders of stock of ECI.

ECI Stock Options

At May 31, 1968 ECI had outstanding options to purchase an aggregate of 34,548 shares of its common stock held by 13 officers and employees. The options are exercisable prior to expiration at prices ranging from \$8.99 to \$24.69 per share. If the Exchange Offer is consummated, NCR will issue to the holders thereof, upon cancellation of such options, substituted stock options to purchase shares of Common Stock of NCR. These substituted stock options will entitle the holders to purchase one share of Common Stock of NCR for each two shares of common stock of ECI covered by the cancelled options at an option price equivalent to the aggregate option price for two shares of common stock of ECI under the cancelled options.

There is no parent affiliation between the two companies. No director or officer or any associate thereof of NCR owns beneficially any common stock of ECI. NCR is advised that one director of ECI owns beneficially 100 shares of Common Stock of NCR and that the children of one other director of ECI own an aggregate of 100 shares of Common Stock of NCR.

Certain stockholders of NCR are offering 10,016 shares of NCR Common Stock by a prospectus of even date herewith consisting of this prospectus and an additional cover page. Sales of such shares will be effected on the New York Stock Exchange through brokers or dealers. The commissions or discounts to be paid by said Selling Stockholders to brokers or dealers in respect of such sales will not exceed the usual and customary distributors' or sales' commissions or discounts. Such commissions and discounts are not considered to be underwriters' compensation.

COMPARATIVE PRICE RANGES OF NCR AND ECI COMMON STOCKS

The following table indicates the high and low sales prices, on a quarterly basis, of the Common Stock of NCR on the New York Stock Exchange from January 1, 1966 to July 30, 1968 and of the common stock of ECI for the same period on the American Stock Exchange. Such prices have not been adjusted to reflect a 10% stock dividend paid in December 1966 by ECI.

<u>Quarter</u>	<u>NCR Common Stock</u>		<u>ECI Common Stock</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1966 1st	86½	76	27½	17½
2nd	91½	77½	28½	17
3rd	85	65½	21½	13½
4th	72½	59	17½	12½
1967 1st	96	67½	21½	15
2nd	102½	85½	27½	18½
3rd	115½	95½	29½	21½
4th	136½	108½	32½	21
1968 1st	133	99½	44½	27½
2nd	154½	118½	71	42
3rd (through July 30, 1968)	143½	123	67	56

On July 30, 1968 the closing price of the Common Stock of NCR on the New York Stock Exchange was \$124.25 and on the same date the closing price of common stock of ECI on the American Stock Exchange was \$58.50.

On March 29, 1968, the trading day immediately preceding the announcement that NCR and ECI had reached agreement in principle with respect to the Exchange Offer and on the ratio of exchange for their common stocks, the closing prices for NCR's Common Stock and ECI's common stock were \$115 and \$44, respectively. On April 2, 1968, the first full trading day after the announcement, the closing prices were \$125.25 for NCR and \$51.875 for ECI.

CAPITALIZATION

The following table shows the actual capitalization of NCR and its subsidiaries and ECI as at March 31, 1968 and as adjusted as at that date pro forma to reflect the consummation of the Exchange Offer made pursuant to this Prospectus, upon the assumptions that all of the outstanding preferred stock of ECI had been converted into common stock of ECI and that the holders of 100% of the then outstanding shares of common stock of ECI accept the Exchange Offer.

	NCR	ECI	Pro Forma
Short-term debt:			
Notes payable	\$ 91,098,182	\$ 79,842	\$ 91,178,024
Current installments, long-term debt	3,002,606	225,405	3,228,011
Total short-term debt	<u>\$ 94,100,788</u>	<u>\$ 305,247</u>	<u>\$ 94,406,035</u>
Long-term debt:			
3.375% Sinking fund notes due March 1, 1980	\$ 7,284,000		\$ 7,284,000
3.75% Sinking fund notes due March 1, 1977	6,875,000		6,875,000
4.75% Sinking fund debentures due June 1, 1985	36,385,000(1)		36,385,000
4.375% Sinking fund debentures due April 1, 1987	47,000,000(2)		47,000,000
5.60% Sinking fund debentures due June 15, 1991	60,000,000		60,000,000
4.25% Subordinated convertible debentures due April 15, 1992	88,259,100		88,259,100
5.25% Swiss franc bonds due 1978-1982	11,574,000		11,574,000
Real estate mortgage due 1969-1989	2,443,694(3)		2,443,694
Mortgage obligations and other long-term debt of foreign subsidiaries and branches	7,337,713		7,337,713
6% Subordinated convertible debentures due 1971		\$ 1,425,000	1,425,000
5.25% and 6.50% First mortgage notes due 1969-1970		101,772	101,772
Ninety-day notes renewable to 1970, payable under revolving credit agreement		3,000,000	3,000,000
Total long-term debt	<u>267,158,507</u>	<u>4,526,772</u>	<u>271,685,279</u>
Stockholders' Equity:			
NCR Preferred stock (\$5 Par)			
Authorized—2,000,000 shares, none issued			
ECI Preferred stock (\$10 Par), 6% cumulative, convertible			
Authorized—200,000 shares			
Issued—19,796 shares		197,960(4)	
NCR Common stock (\$5 Par)			
Authorized—14,000,000 shares(5)			
Issued—8,932,281 shares	44,661,405		46,886,205
ECI Common stock (\$1 Par)(6)			
Authorized—2,000,000 shares			
Issued—872,166 shares (855,623 shares outstanding after deducting 16,543 shares held in treasury)		872,166	
Capital surplus	146,894,370	7,942,168	152,623,178
Retained earnings	203,626,128	6,109,689	209,735,817
	<u>395,181,903</u>	<u>14,221,963</u>	<u>409,245,200</u>
Less: Treasury stock at cost		158,686	
Total stockholders' equity	<u>395,181,903</u>	<u>14,063,277</u>	<u>409,245,200</u>
Total long-term debt and stockholders' equity	<u>\$662,340,410</u>	<u>\$18,590,059</u>	<u>\$680,930,479</u>

(1) Does not include \$415,000 principal amount purchased for retirement.

(2) Does not include \$1,000,000 principal amount purchased for retirement.

(3) Does not include \$240,056 reserve deposited with mortgage trustee.

(4) On May 20, 1968 all of the outstanding shares of preferred stock of ECI were called for redemption on July 31, 1968.

(5) Includes 125,491 shares reserved for issue upon exercise of outstanding stock options (including 17,714 shares for options for ECI common stock which are expected to become options for NCR Common Stock in connection with the exchange offer), 199,919 shares available for stock options which may be subsequently granted and 882,591 shares to accommodate conversions of the 4.25% Subordinated convertible debentures due April 15, 1992.

(6) No provision has been made for the 11,945 shares of ECI common stock reserved for issue upon conversion of its 6% subordinated convertible debentures due November 30, 1971.

NCR and its subsidiaries have obligations under leases on real property, principally for sales and service offices. During the twelve months ended December 31, 1967 NCR and its subsidiaries paid approximately \$12,574,000 in rents under leases of varying duration. See "Foreign Business" under "History and Business of NCR" for information with respect to proposed issues of additional securities by NCR and a foreign subsidiary.

NCR AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

The following statement, except for the earnings of the Japanese subsidiary reported on by other independent accountants, has been examined by Price Waterhouse & Co., independent accountants, whose opinion thereon appears elsewhere in this Prospectus. As explained in Note 1 to the financial statements, effective with the year 1967, the financial statements have been prepared on a fully consolidated basis. Previous years' results in this statement have been restated to reflect NCR's worldwide operations. The statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this Prospectus.

	(000 omitted) Year ended December 31,				
	1963	1964	1965	1966	1967
Income:					
Net sales	\$473,916	\$519,196	\$560,394	\$654,025	\$698,932
Service income and equipment rentals	118,664	146,578	176,455	217,280	256,523
Other income	12,630	13,259	15,207	14,201	18,971
	<u>605,210</u>	<u>679,033</u>	<u>752,056</u>	<u>885,506</u>	<u>974,426</u>
Costs and expenses:					
Cost of products and services sold—(Note A)	323,315	362,825	395,707	473,217	537,055
Selling, general and administrative	222,956	250,744	286,152	332,273	346,132
Interest	8,387	8,864	10,043	13,241	18,835
Minority interest in net earnings of foreign subsidiaries	1,935	2,034	1,833	1,913	2,584
	<u>556,593</u>	<u>624,467</u>	<u>693,735</u>	<u>820,644</u>	<u>904,606</u>
Income before income taxes	<u>48,617</u>	<u>54,566</u>	<u>58,321</u>	<u>64,862</u>	<u>69,820</u>
Income taxes:					
United States	11,000	11,300	11,100	10,600	10,300
Foreign	15,200	17,100	17,800	22,000	24,200
	<u>26,200</u>	<u>28,400</u>	<u>28,900</u>	<u>32,600</u>	<u>34,500</u>
Net income for the year—(Note B)	<u>\$ 22,417</u>	<u>\$ 26,166</u>	<u>\$ 29,421</u>	<u>\$ 32,262</u>	<u>\$ 35,320</u>
Per share of common stock—(Note C):					
Net income	\$2.70	\$3.13	\$3.35	\$3.67	\$3.98
Cash dividends declared	1.14	1.14	1.16	1.20	1.20

Pro forma net income per share, based on assumption of conversion of all outstanding convertible securities and exercise of all outstanding stock options

3.74

NOTE A—Under NCR's system of accounting and due to the nature of NCR's business, a breakdown of cost of products and services sold applicable to net sales, service income and equipment rentals is not practicable.

NOTE B—See Note 1 to financial statements.

NOTE C—Based on average number of shares outstanding during each year, adjusted for 5% stock dividend in 1965.

* * * * *

The unaudited consolidated net sales, service income and equipment rentals; net income and net income per share were \$483,444,625, \$12,941,279, and \$1.45, respectively, for the six months ended June 30, 1968, and \$440,702,578, \$12,558,353, and \$1.41, respectively, for the six months ended June 30, 1967. The results for 1968 give effect to the recently enacted Federal income tax surcharge.

With the release of the Century Series Electronic Data Processing System in March 1968, NCR intends to defer expenses relating to the compensation of certain selling and installation personnel since such expenses relate to future income. In the first six months of 1968 payments for such expenses amounting to \$1,039,000 after taxes have been deferred and will be charged to income over the initial term of the rental contracts which are firm non-cancellable contracts for either one, three or five years or at the time of installation in the case of a purchase contract.

In the opinion of NCR's management all adjustments, consisting only of normal recurring accruals, considered necessary for a fair presentation of the results of such six month periods have been included. Results of operations for the six months ended June 30, 1968 are not necessarily indicative of results to be expected for the full calendar year.

ECI STATEMENTS OF INCOME

The following statements of income of ECI for the five years ended September 30, 1967, have been examined by Arthur Andersen & Co., independent public accountants, as set forth in their report included elsewhere herein. The statements of income for the three-month periods ended December 31, 1966 and 1967, which were not examined by independent public accountants, reflect, in the opinion of ECI, all known adjustments (which include only normal recurring accruals) necessary to a fair presentation of the results of operations for such periods. These statements should be read in conjunction with the financial statements and notes thereto included elsewhere herein.

	Year ended September 30,					Three months ended December 31,	
	1963	1964	1965	1966	1967	1966 (Unaudited)	1967 (Unaudited)
Income:							
Net sales	\$18,104,468	\$26,818,136	\$22,261,716	\$37,080,154	\$49,388,335	\$13,074,796	\$12,537,049
Other income, net	126,990	105,366	164,919	145,480	167,270	55,463	52,736
	<u>18,231,458</u>	<u>26,923,502</u>	<u>22,426,635</u>	<u>37,225,634</u>	<u>49,555,605</u>	<u>13,130,259</u>	<u>12,589,785</u>
Costs and expenses:							
Cost of sales	14,584,718	22,826,907	18,454,971	32,022,719	42,899,894	11,421,360	10,642,648
General and administrative expenses ...	2,997,172	2,786,241	2,660,885	2,954,509	3,965,497	1,112,257	993,663
Interest expense	233,788	361,235	344,770	440,534	499,062	132,081	104,951
Net loss of discontinued operations	22,005	61,730					
	<u>17,437,683</u>	<u>26,036,113</u>	<u>21,460,626</u>	<u>35,417,762</u>	<u>47,364,453</u>	<u>12,665,698</u>	<u>11,741,262</u>
Income before income taxes	793,775	887,389	966,009	1,807,872	2,191,152	464,561	848,523
Provision for Federal income taxes (Note 1)	380,000	410,000	465,000	750,000	965,000	200,000	390,000
Income before extraordinary items	413,775	477,389	501,009	1,057,872	1,226,152	264,561	458,523
Extraordinary items, net of applicable income taxes (Note 2)	(106,719)	60,000	927,000				
Net income (Note 2)	<u>\$ 307,056</u>	<u>\$ 537,389</u>	<u>\$ 1,428,009</u>	<u>\$ 1,057,872</u>	<u>\$ 1,226,152</u>	<u>\$ 264,561</u>	<u>\$ 458,523</u>
Income before extraordinary items applicable to common stock	\$ 390,986	\$ 454,981	\$ 479,471	\$ 1,039,172	\$ 1,208,859	\$ 259,949	\$ 435,368
Net income applicable to common stock ..	<u>284,267</u>	<u>514,981</u>	<u>1,406,471</u>	<u>1,039,172</u>	<u>1,208,859</u>	<u>259,949</u>	<u>435,368</u>
Per share of common stock:							
Based on average number of shares outstanding and adjusted for 10% common stock dividend in December, 1966—							
Income before extraordinary items	.47	.56	.62	1.29	1.47	.32	.55
Extraordinary items, net of applicable income taxes	(.13)	.07	1.19				
Net income	<u>.34</u>	<u>.63</u>	<u>1.81</u>	<u>1.29</u>	<u>1.47</u>	<u>.32</u>	<u>.55</u>
Pro forma net income based on assumption of conversion of all outstanding convertible securities and exercise of all outstanding stock options (Note 3)					1.39		.52
Cash dividends per share of common stock (adjusted for 10% common stock dividend in December, 1966)	<u>.05</u>	<u>.18</u>	<u>.18</u>	<u>.18</u>	<u>.20</u>	<u>.05</u>	<u>.05</u>

(notes appear on following page)

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NOTES TO STATEMENTS OF INCOME OF ECI

(1) The investment tax credit has been applied as a reduction of the provision for Federal income taxes in the amounts of \$13,300, \$12,100, \$9,300, \$65,000, \$25,500, \$4,500 and \$6,100 for the years 1963, 1964, 1965, 1966, 1967 and for the three-month periods ended December 31, 1966 and December 31, 1967, respectively.

(2) The statements of income reflect the following extraordinary items:

a. In 1963, a charge of \$106,719 for the loss on sale of net assets and liquidation of a wholly-owned subsidiary (net of applicable income tax of \$109,000);

b. In 1964, a credit of \$60,000 for Federal income taxes that were eliminated by reason of the carry forward of a prior year's operating loss of a former subsidiary company;

c. In 1965, a net credit of \$927,000 for:

(i) The elimination of deferred Federal income taxes of \$920,000 resulting from the utilization of a former subsidiary's operating loss;

(ii) A charge of \$38,000 for the loss on sale of investment in preferred stock (net of applicable income tax of \$19,500);

(iii) A credit of \$65,000 for Federal income taxes that were eliminated by reason of the carry forward of a prior year's operating loss of a former subsidiary company.

To comply with new reporting requirements effective for fiscal periods beginning after December 31, 1966, net income for 1963 and 1965 has been restated to include extraordinary items which were previously described and reported as special items after net income. In addition, credits resulting from the carry forward of prior years' operating losses which were previously netted against provisions for Federal income taxes in 1964 and 1965 have been restated as extraordinary items.

(3) The pro forma per share amounts were computed using the following assumptions:

a. The conversion of the outstanding 6% cumulative convertible preferred shares using the conversion ratio in effect at December 31, 1967, reflecting the shares issuable on conversion and eliminating the preferred dividend requirements;

b. The conversion of the outstanding subordinated convertible debentures using the conversion ratio in effect at December 31, 1967, reflecting the shares issuable on conversion and eliminating the interest requirements;

c. The exercise of all outstanding stock options, assuming no effect from funds received as such effect would not be material.

* * * * *

The unaudited net sales, net income and net income per share were \$37,856,627, \$1,475,616 and \$1.73, respectively, for the nine months ended June 30, 1968, and \$39,323,915, \$802,364 and \$.96, respectively, for the nine months ended June 30, 1967. The results for 1968 give effect to the recently enacted Federal income tax surcharge. In the opinion of ECI, all known adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results of operations for the nine month periods ended June 30, 1968 and 1967, have been made.

The increase in net income for the three months ended December 31, 1967, in comparison with the three months ended December 31, 1966, and for the nine months ended June 30, 1968, in comparison with the nine months ended June 30, 1967, despite the decrease in net sales, resulted principally from improved profit margins.

The results of operations for the three month period ended December 31, 1967 and the nine month period ended June 30, 1968 are not necessarily indicative of the operating results for the entire fiscal year ending September 30, 1968.

NCR AND SUBSIDIARY COMPANIES AND ECI

PRO FORMA COMBINED STATEMENT OF INCOME

(Not covered by accountants' opinions)

The following pro forma combined statement of income presents, on a "pooling of interests" basis, the results of operations of NCR for the five years ended December 31, 1967 combined with those of ECI for the five years ended September 30, 1967, after giving effect to certain reclassifications for comparability. This statement should be read in conjunction with the other financial statements, including the notes thereto, of NCR and ECI appearing elsewhere in this Prospectus.

	Fiscal Years (000's omitted)				
	1963	1964	1965	1966	1967
Income:					
Net sales	\$492,021	\$546,014	\$582,656	\$691,105	\$ 748,320
Service income and equipment rentals ..	118,664	146,578	176,455	217,280	256,523
Other income	12,735	13,302	15,372	14,346	19,138
	<u>623,420</u>	<u>705,894</u>	<u>774,483</u>	<u>922,731</u>	<u>1,023,981</u>
Costs and expenses:					
Cost of products and services sold	338,007	385,652	414,162	505,240	579,955
Selling, general and administrative	225,553	253,530	288,871	335,227	350,097
Interest	8,621	9,225	10,388	13,681	19,334
Minority interest in net earnings of foreign subsidiaries	1,935	2,034	1,833	1,913	2,584
	<u>574,116</u>	<u>650,441</u>	<u>715,254</u>	<u>856,061</u>	<u>951,970</u>
Income before income taxes	<u>49,304</u>	<u>55,453</u>	<u>59,229</u>	<u>66,670</u>	<u>72,011</u>
Income taxes:					
United States	11,380	11,650	10,580	11,350	11,265
Foreign	15,200	17,100	17,800	22,000	24,200
	<u>26,580</u>	<u>28,750</u>	<u>28,380</u>	<u>33,350</u>	<u>35,465</u>
Pro forma combined net income	<u>\$ 22,724</u>	<u>\$ 26,703</u>	<u>\$ 30,849</u>	<u>\$ 33,320</u>	<u>\$ 36,546</u>
Pro forma combined net income per share of common stock (Note)	<u>\$2.60</u>	<u>\$3.04</u>	<u>\$3.36</u>	<u>\$3.62</u>	<u>\$3.93</u>
Pro forma combined net income per share of common stock as above and based on the assumption of the conversion of all outstanding convertible securities and exercise of all outstanding stock options (including options for shares of ECI common stock which are to become options for shares of NCR Common Stock on the basis of one share of NCR Common Stock for each two shares of ECI common stock)					<u>\$3.70</u>

NOTE: These figures are based on the average number of shares of NCR Common Stock outstanding during each year, adjusted for a 5% stock dividend in 1965 plus 444,033 shares of NCR Common Stock which would have been issued had the exchange been made on December 31, 1967 (assuming conversion of all of the ECI convertible preferred stock).

Preparation of the combined pro forma statement of income above and the pro forma combined balance sheet on the following pages has been based on the assumptions that all of the preferred stock of ECI will be converted to common stock prior to the exchange and that all of the common stock of ECI will be exchanged for Common Stock of NCR. Accordingly, accounting on a "pooling of interests" basis has been followed.

COMPARATIVE DATA PER SHARE OF COMMON STOCK
INCOME AND DIVIDENDS

	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
NCR					
Before combination					
Net income	\$2.70	\$3.13	\$3.35	\$3.67	\$3.98
Pro forma, based on assumption of conversion of all outstanding convertible securities and exercise of all outstanding stock options					3.74
Cash dividends	1.14	1.14	1.16	1.20	1.20
Pro forma after combination					
Net income	2.60	3.04	3.36	3.62	3.93
Based on assumption of conversion of all outstanding convertible securities and exercise of all outstanding stock options					3.70
ECI					
Before combination					
Income before extraordinary items .....	.47	.56	.62	1.29	1.47
Extraordinary items	(.13)	.07	1.19	—	—
Net income .....	.34	.63	1.81	1.29	1.47
Pro forma based on assumption of conversion of all outstanding convertible securities and exercise of all outstanding stock options					1.39
Cash dividends .....	.05	.18	.18	.18	.20
Pro forma after combination					
Net income (Note)	1.30	1.52	1.68	1.81	1.96
Based on assumption of conversion of all outstanding convertible securities and exercise of all outstanding stock options (Note)					1.85
Cash dividends (Note) .....	.57	.57	.58	.60	.60

BOOK VALUES

	<u>December 31, 1967</u>	
	<u>Before Combination</u>	<u>After Combination</u>
NCR		
Per share of common stock	\$43.90	\$43.27
Per share of common stock assuming conversion of all convertible securities and exercise of all outstanding stock options	49.20	48.49
ECI		
Per share of common stock (Note)	15.71	21.64
Per share of common stock assuming conversion of all convertible securities and exercise of all outstanding stock options (Note)	16.67	24.25

NOTE—Each share of NCR Common Stock will be issued in exchange for two shares of ECI common stock. The ECI per share net income, dividend and book value amounts after combination therefore are one-half of the pro forma NCR per share net income, dividend and book value amounts after combination.

NCR AND SUBSIDIARY COMPANIES AND ECI

CONDENSED PRO FORMA COMBINED BALANCE SHEET

(not covered by accountants' opinions)

The following pro forma combined balance sheet represents a combination on a "pooling of interests" basis of the condensed balance sheets of NCR and ECI at December 31, 1967. This statement should be read in conjunction with the financial statements, including the notes thereto, included elsewhere in this Prospectus.

ASSETS	December 31, 1967 (000 omitted)			
	<u>NCR</u>	<u>ECI</u>	<u>Pro forma adjustments</u>	<u>Pro forma combined</u>
Current assets:				
Cash	\$ 26,254	\$ 420		\$ 26,674
Marketable securities, at cost (approximate market)	47,669			47,669
Accounts receivable	253,117	8,964		262,081
Inventories	334,784	8,856		343,640
Prepaid expenses	10,992	486		11,478
	<u>672,816</u>	<u>18,726</u>		<u>691,542</u>
Property, plant and equipment, less accumulated depreciation	330,773	6,278		337,051
Other assets	6,555	537		7,092
 Total assets	 <u>\$1,010,144</u>	 <u>\$25,541</u>		 <u>\$1,035,685</u>

NCR AND SUBSIDIARY COMPANIES AND ECI

CONDENSED PRO FORMA COMBINED BALANCE SHEET

(not covered by accountants' opinions)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 1967 (000 omitted)			
	NCR	ECI	Pro forma adjustments	Pro forma combined
Current liabilities:				
Notes payable and current installments on long-term debt	\$ 87,980	\$ 307		\$ 88,287
Accounts payable and accrued expenses	112,529	3,677		116,206
Accrued income taxes	39,682	719		40,401
Dividends payable	2,674			2,674
Customers' deposits and service prepay- ments	70,807			70,807
	<u>313,672</u>	<u>4,703</u>		<u>318,375</u>
Long-term debt	268,085	7,247		275,332
Lease purchase obligation	1,800			1,800
International operations and employees' pen- sion and indemnity reserves	24,421			24,421
Minority interests	10,597			10,597
Stockholders' equity:				
Preferred stock		210	(210) (a)	
Common stock	44,598	852	36 (a)	46,818
			1,332 (b)	
Capital surplus	146,113	7,027	16 (a)	151,824
			(1,332) (b)	
Earnings retained for use in the business	200,858	5,660		206,518
Excess of cost over par—treasury stock		(158)	158 (a)	
Total liabilities and stockholders' equity	<u>\$1,010,144</u>	<u>\$25,541</u>		<u>\$1,035,685</u>

Pro forma entries:

- (a) Conversion of the 21,035 shares of ECI 6% cumulative convertible preferred stock for 36,444 shares of ECI common stock (including 18,999 shares in treasury) on basis of 1.7325 shares of common stock for each share of 6% cumulative convertible preferred stock.
- (b) Issuance of 444,033 shares of NCR Common Stock in exchange for 888,066 shares of ECI common stock on the basis of one share of NCR Common Stock for each two shares of ECI common stock. See note on page 12.

HISTORY AND BUSINESS OF NCR

NCR was incorporated under the name of THE NATIONAL CASH REGISTER COMPANY under the laws of the State of Maryland on January 2, 1926, as successor to an Ohio corporation of the same name organized in 1884. NCR's executive offices and principal plant are located in Dayton, Ohio.

NCR and its subsidiaries are engaged in the design, production, distribution and servicing of business equipment and machines, including electronic data processing equipment, accounting machines, cash registers, adding machines and microform equipment, together with supplies and related accessories for use both with its machine products and for other uses.

The products of NCR are marketed and serviced in all states of the United States principally through its own sales and service organizations and to a very minor extent through distributors and dealers. Outside of the United States, NCR subsidiaries, branches and, in a few instances, agents distribute and service NCR's products in over 100 countries.

NCR and its subsidiaries employ approximately 84,000 people, of whom approximately 40,000 are outside of the United States.

The net sales, service income and equipment rentals of NCR and its subsidiaries were divided among the following categories during 1967:

Equipment	
Sales	55.4%
Rentals	9.2
Service and Maintenance	20.2
Supplies and Miscellaneous Products	15.2
	<hr/>
	100.0%
	<hr/>
Total outside the United States (included in the above)	44.9%

The terms of sale offered by NCR include outright sale, installment sales and non-full-payout rental agreements. Installment sales, entered into principally for the sale of cash registers and adding machines, provide for payment over varying periods of time up to a maximum of 36 months. NCR offers its electronic data processing equipment, accounting machines, certain of its adding machines and its line of microform equipment for rental, primarily on a "full service" basis, for initial periods of one to five years.

During the past five years, an increasing portion of NCR's revenue has resulted from equipment rentals and the sale of service, maintenance and supplies. The increase in equipment rentals (which is expected to continue) and service revenues is largely attributable to NCR's rapidly growing participation in the field of electronic data processing. The increase in supply sales is largely due to the growth in sales of carbonless copying paper ("NCR Paper") and the continuing development of a full line of business forms and supplies for use with NCR equipment.

NCR's accounting practice has been to capitalize the manufacturing cost of rental equipment and to depreciate the capitalized amounts over four to six years on the "sum-of-the-years-digits" method. All development, installation and marketing expenses related to such equipment are charged off as incurred. Rental payments are taken into income when received. Due to these accounting practices, the amounts charged as costs and expenses with respect to rental equipment are disproportionately higher in the early years than in the later years and, accordingly, the profit potential of rental contracts is deferred. During the past five years, all other categories of NCR's products and services have been consistently profitable. With the release of the Century Series Electronic Data Processing System, NCR intends to defer expenses relating to the compensation of certain selling and installation personnel since such expenses relate to future income. The deferred expenses will be charged to income over the initial term of the contracts.

Principal Products

For many years, NCR has been the world's largest manufacturer of cash registers and is one of the leading manufacturers of electro-mechanical and electronic accounting machines. Over the past five years, NCR has substantially expanded its design, manufacture and sale of a broad range of electronic data processing equipment, culminating in the recent release for sale of its Century Series Electronic Data Processing System. It also manufactures and sells a line of adding and bookkeeping machines and a wide variety of business forms and supplies primarily for use in business equipment. With this expanded product line together with increasing customer requirements in this area, a substantial part of NCR's marketing effort has been directed toward the sale or rental of fully integrated business systems, including electronic data processing systems, rather than toward the sale of individual machines designed to mechanize single applications. Such "total systems" utilize NCR "original entry" equipment, such as cash registers, accounting machines, and adding machines to record pertinent information in a form suitable for subsequent processing on NCR's (or other manufacturers') electronic data processing equipment.

In March, 1968, NCR released for sale its Century Series line of electronic data processing equipment which represented a further major step of NCR into the computer field. The Century Series offers not only a broad line of central processing and memory equipment, but also a broad range of peripheral equipment including discs, magnetic tape drives, punch card and paper tape readers and punches, optical journal scanners, magnetic encoded document reader-sorters, together with a wide range of control devices for data communication. NCR also continues to market its Class 315 and Class 315 RMC (Rod Memory Computer) as well as its Series 500 electronic data processing systems.

NCR offers a wide range of cash registers and sales registers for the control and recording of a wide variety of transactions primarily in the retail, wholesale and service industries. Increasing demands for more information together with changing methods of retailing (such as self-service and the growth of suburban shopping centers) have increased the demand for new types of cash registers, including those which can create machine or computer readable information. In 1967, NCR introduced the Class 5 cash register, a flexible line of registers, which includes features necessary for the conduct of trade and the capture of pertinent information for subsequent processing.

NCR continues to manufacture and market its well established line of lower priced mechanical and electro-mechanical accounting machines and during the past five years has also introduced a complete line of electronic accounting machines offering substantially increased capacity. During 1967, NCR introduced its Class 400 electronic accounting machine offering an expanded number of totals together with magnetic ledger capability and simplified programming through the use of interchangeable punched tape loops. NCR also manufactures and markets accounting machine equipment specifically designed for banking and other financial institutions such as "encoding" machines for the application of MICR (Magnetic Ink Character Recognition) information on documents for subsequent computer processing as part of a total system, "proof" machines, and both "on-line real-time" and "off-line" equipment for teller windows, all of which may be integrated into a total bank system.

In the adding machine field, NCR offers a complete line of full keyboard equipment and a limited line of 10-key machines. Many of the machines are sold or rented for control of a wide variety of original entry applications but with the ability to create machine readable input for subsequent computerized processing as part of a total integrated system.

NCR also provides software and other supporting services required to insure that the installed products efficiently perform those functions for which they were designed. Such services not only include the necessary machine instructions consisting of programs in a variety of computer languages, but also schools and other educational services, manuals and libraries of system procedures for many levels of customer personnel.

To supplement NCR's regular lines of equipment, NCR also markets certain products manufactured for it by others to NCR's specifications. In addition, NCR sells used business equipment of its own manufacture which is, in most instances, acquired upon trade-in from purchasers of new equipment from NCR.

Since 1961, NCR has established a number of Electronic Data Processing Centers and presently has 22 locations within the United States and an additional 47 centers internationally. These centers are equipped with one or more of NCR's electronic data processing systems to provide service for many types and sizes of businesses, primarily for those which require the information developed through a total system but which cannot efficiently utilize a full computer system. Included in the foregoing is a network of On-Line Data Processing Centers which provide immediate updating of records for savings banks and savings and loan associations through data processing equipment in the center which is connected by telephone lines directly to the teller machines in the customer's place of business.

A wide variety of supply items are designed, manufactured and sold by NCR for use in or with its machine products, including printed forms, paper rolls, ink ribbons, guest checks, ledger cards, files and trays, and a complete range of supplies for its electronic data processing systems such as magnetic tape and discs.

NCR has developed and markets a line of pressure sensitive coated papers which make duplicate copies without the use of carbon paper and are sold under the trademark "NCR Paper". This product was first introduced in 1954 and has steadily increased in volume of sales. Further developments in the field of capsular research have resulted in a variety of micro-encapsulated products.

During 1966, NCR entered a new field of microform systems, including the PCMI* systems which it developed and microfiche and microcard systems which were developed by The Microcard Corporation which NCR acquired in February, 1967. This field involves not only the manufacture and sale of viewer and photographic equipment, but also the conversion for customers of original documents to microform chips or transparencies.

Domestic Distribution and Service

NCR maintains its own distribution and technical service organizations consisting of approximately 19,400 employees in 472 offices located throughout the United States. NCR provides extensive training programs for its salesmen and technicians in product and technical service developments and in advanced marketing techniques. To better meet consumer demands for increasingly sophisticated systems NCR's marketing organization has been reorganized by type of market rather than by product line.

In the case of adding machines and one line of medium priced bookkeeping machines NCR supplements its direct distribution by sales through a nation-wide network of 855 dealers and four distributors.

NCR's branch offices and sub-offices in the United States operate complete facilities for the service and maintenance of its products. All of its technicians have been trained at NCR's regional technical schools. As new products or modifications of existing products are introduced NCR initiates instruction programs to enable its technicians to maintain and service the new equipment. It is the policy of NCR not to sell any product under circumstances where it is not in a position to render competent service. More than two-thirds of the service sales volume comes from service rendered under maintenance contracts for an annual fixed charge.

NCR believes that the quality of its distribution and service organization is a principal factor in the successful conduct of its business.

Foreign Business

The business of NCR outside the United States is done principally through subsidiaries and to a lesser extent through agents and branch offices of NCR, and is conducted in substantially the same manner as in the United States. Since World War II NCR has made substantial investments outside the United States, chiefly by reinvesting local earnings. A license agreement exists between NCR, its British selling subsidiary and Wiggins, Teape and Co. Ltd. (London) under which Wiggins, Teape may sell "NCR Paper" non-exclusively throughout the world except in the United States and may manufacture it exclusively in certain designated countries. NCR has licensed Mitsubishi Paper Mills, Ltd., and Jujo Paper Manufacturing Company, Ltd., Tokyo, to manufacture "NCR Paper" in Japan and to sell it non-exclusively in Japan and, through NCR, elsewhere in the world. Executive Order 11387 dated January 1, 1968, and the regulations issued by the Secretary of Commerce in connection therewith, limit foreign investments by United States companies and other United States persons, require the annual repatriation of a portion of foreign earnings from affiliated foreign nationals and place a limitation on the amount of short-term financial assets held abroad. The future effect of the Order and regulations on the overseas operations of NCR cannot be determined at this time.

*Trademark.

The National Cash Register Company, Limited, one of NCR's United Kingdom subsidiaries, at the date of this Prospectus was negotiating with investment bankers in London for the sale of a proposed issue of long-term debt securities in the principal amount of approximately £12,000,000 (approximately \$28,800,000) to be sold in Europe and which would be guaranteed by NCR and would provide for the issue of stock purchase warrants entitling the holders thereof to purchase over a period of years approximately 120,000 additional shares of NCR's Common Stock.

Employee Relations


Collective bargaining contracts with labor unions cover approximately 20,200 non-supervisory employees in the United States and Canada, approximately 17,000 of whom at the Dayton and Washington Court House, Ohio, plants are represented by the N.C.R. Employees' Independent Union. Pending the outcome of representation proceedings before the National Labor Relations Board, the three-year agreement with the Employees' Independent Union which expired on August 31, 1967, has been extended on an interim basis. Comprehensive employee benefit plans, including retirement pensions, disability benefits, hospital and medical reimbursements, group accident and life insurance benefits and a suggestion plan are in effect for employees in the United States. In addition NCR maintains in Dayton extensive recreational and educational programs for its employees and their families. NCR believes its employee relations are satisfactory.

Research and Development

NCR carries out an extensive program of research and development devoted to mechanical, electro-mechanical and electronic business equipment and, in recent years, considerable emphasis has been placed upon the development of electronic data processing equipment. As a result of this program NCR has continuously added new products and has extended the applications of existing products. Of significant importance is NCR's work in the fields of physical and chemical research.

The research and development program is carried on principally by a staff of approximately 1,750 persons at the Dayton Plant and by a staff of approximately 800 persons at the Electronics Division in Hawthorne, California. In addition there are small research and engineering facilities at Ithaca, New York, Cambridge, Ohio and at a number of locations overseas. Total expenditures for product development, engineering and research for the five years ended December 31, 1967 aggregated approximately \$129,000,000, and it is expected that about \$35,000,000 will be expended for these purposes in 1968.

Patents and Trade-Marks

NCR has numerous United States and foreign patents and patent applications relating to its several products and processes. These patents and applications, together with licenses under patents owned by others, are considered by NCR to be adequate for the conduct of its business. NCR does not consider that any single patent is of material importance in relation to the business as a whole. NCR does consider the trade-marks "National", "NCR" and the design , and several other trade-marks as applied to its products to be assets of material importance, and it has registered and renewed such trade-marks in the United States and appropriate foreign countries.

PROPERTY OF NCR

The manufacturing plants of NCR and its subsidiaries occupy a total floor area of approximately 10,769,412 square feet, of which approximately 8,381,869 are owned and the balance held under lease, as follows:

<u>Location</u>	<u>Owned</u>	<u>Leased</u>	<u>Total</u>
Dayton, Ohio	4,356,902	340,508	4,697,410
Dundee, Scotland	145,554	1,077,890	1,223,444
Augsburg, Germany	632,041	48,345	680,386
Hawthorne, California	355,000	207,800	562,800
Berlin, Germany	541,174		541,174
Cambridge, Ohio	367,000		367,000
Ithaca, New York	329,718		329,718
Millsboro, Delaware	300,000		300,000
San Diego, California		292,000	292,000
Osio, Japan	216,800		216,800
Toronto, Canada	154,000		154,000
Massy, France	136,200		136,200
Giessen, Germany	112,180		112,180
Sao Paulo, Brazil	92,300		92,300
Bulach, Switzerland	80,000		80,000
Puebla, Mexico	50,000		50,000
West Salem, Wisconsin	28,000		28,000
Buenos Aires, Argentina	26,000		26,000
Various supply manufacturing plants and paper slitting plants(1)(2)	459,000	421,000	880,000
Total Floor Area	8,381,869	2,387,543	10,769,412(3)

(1) Supply manufacturing plants and paper slitting plants are located at Arlington, Texas; Fullerton, California; Jacksonville, Florida; Washington Court House, Ohio; Toronto, Canada; Commerce, California; Morristown, Tennessee; and Mount Joy, Pennsylvania. An addition containing 15,000 square feet under construction at Arlington, Texas, is expected to be completed in 1968. An additional supply manufacturing plant containing approximately 50,000 square feet is under construction at Viroqua, Wisconsin, and is expected to be completed in 1968.

(2) Does not include 59 supply manufacturing plants and paper slitting plants, containing an aggregate of 392,703 square feet, in 37 countries overseas.

(3) A new manufacturing plant containing 29,000 square feet is under construction at Portage, Wisconsin, and is expected to be completed in 1968. An addition containing 12,000 square feet is under construction at San Diego, California, and is expected to be completed in 1968.

The above-mentioned plants and the equipment therein are in good operating condition and well maintained.

NCR also owns 13 sales and service offices and leases approximately 459 such offices and sub-offices in the United States. The Company and its subsidiaries own over 188 sales and service offices and lease over 866 such offices and sub-offices in various foreign countries. NCR and its subsidiaries also own or lease a variety of facilities pertinent to their operation, such as warehouses, garages, offices and recreational facilities.

Titles to real property have not been examined for the purposes of this Prospectus but NCR does not know of any material defects in title to any of its real property or that of its subsidiaries or of any material adverse claim of any right, title or interest therein, pending or contemplated. This statement is made without regard to certain minor encumbrances such as liens for current taxes, easements or restrictions which do not materially detract from the value of such real property or its use in NCR's or subsidiaries' business.

HISTORY AND BUSINESS OF ECI

ECI was incorporated in New York in 1927, under the name Air Associates, Incorporated and on October 1, 1940, merged into its then inactive wholly-owned subsidiary which had been incorporated in New Jersey on May 27 of that year. The name Electronic Communications, Inc. was adopted in April 1957.

ECI's principal business consists of the design, development and manufacture of electronic communications systems, subsystems and equipment, flight instruments and metal products. The end-use, directly or indirectly, of these products is primarily by the military forces of the United States and its allies and by the National Aeronautics and Space Administration (NASA). A substantial part of ECI's sales for the five years and nine months ended June 30, 1968 were made under government contracts subject to final price determination. It is the opinion of ECI's management that final price determinations will have no adverse effect on its financial statements. About 90% of ECI's sales for this period are also subject to renegotiation under the Renegotiation Act of 1951. Under this Act the government is permitted to renegotiate contracts to eliminate "excess profits." ECI has received clearances from the Renegotiation Board through the fiscal year ended September 30, 1967.

The fields in which ECI engages in business are highly competitive. While ECI does not know of any reliable statistics pertaining to its relative position in the electronics field, it believes that its share of the total business in this field is small. ECI competes with a large number of other electronics companies, many of which are considerably larger than ECI, and with electronics divisions of other large manufacturers.

Unfilled orders were estimated to be \$60,000,000 at June 30, 1968 (of which approximately \$14,000,000 are expected to be delivered during the remainder of the current fiscal year ending September 30, 1968) and \$44,000,000 at June 30, 1967. Substantially all unfilled orders are for military and NASA end-use and are subject to customary government provisions permitting the government to terminate for its convenience, with provisions for reimbursement to ECI for costs incurred and profit in the event of such termination.

St. Petersburg Division

ECI's executive offices and principal manufacturing and engineering facilities are located in St. Petersburg, Florida. These facilities include engineering laboratories, environmentally controlled manufacturing "clean rooms", inspection and test facilities and areas for assembly, metal fabrication, electroplating, welding and graphic arts production.

At present the design, development and manufacturing activities of the St. Petersburg Division are directed principally to airborne, air-transportable, shipboard, ground and satellite communications systems and space instrumentation.

In the area of command and control communications, ECI is the prime contractor and systems integrator for the airborne UHF multiplexed communication system which has been employed since

1961 by the Strategic Air Command for its Airborne Command Post. This program is now in its third equipment generation.

In the area of tactical command and control, ECI is producing communication systems for the Marine Tactical Data System and shipboard radio sets for the Navy Tactical Data System.

Other communications programs include shipboard transceivers for the Navy, data link radios for naval aircraft, communication satellite ground terminals for the military, communication relay equipment, tactical multiplex equipment, telemetry equipment, special purpose transmitters and receivers for Minuteman launch sites, transmitters for NATO's NADGE program and a variety of research and development projects.

The St. Petersburg Division also is producing a variety of equipment for the nation's space program, including flight control computers for the Saturn/Apollo program.

ECI's customer requirements group consists of a headquarters staff located in St. Petersburg, Florida, and field personnel based in Huntsville, Alabama; Los Angeles, California; Boston, Massachusetts; Dayton, Ohio; and Washington, D. C. This group analyzes present and future military budgets and related present and future customer product requirements and maintains commercial relations with present and potential customers having requirements for ECI's capabilities and products.

Benson Manufacturing Division

The Benson Manufacturing Company was founded in 1907 and was incorporated in Missouri in 1928. ECI acquiring voting control of Benson in 1963. On November 23, 1965 Benson was merged into ECI and became the Benson Manufacturing Division.

Benson's principal business consists of the design, fabrication and sale of various products made from aluminum, stainless steel and other metals. The end-use, directly or indirectly, of these products is primarily by the military forces of the United States, NASA and the brewing industry. These products include heat transfer systems, fabricated metal components for application in aircraft, missile and space systems and aluminum and stainless steel beer barrels. All phases of Benson's business are highly competitive. While ECI does not know of any reliable statistics, it believes Benson's share of the total markets for heat transfer systems and fabricated metal components for aircraft, missile and space systems application is not significant.

ECI is presently offering for sale the business and assets of the Benson Manufacturing Division.

Standard Precision Division

ECI's Standard Precision Division in Wichita, Kansas was established in 1949. ECI acquired this division (then a separate corporation) in 1959. This division's activities consist principally of the production of instruments and electro-mechanical equipment for the aerospace and general aviation industries. The division also operates facilities for the overhaul of aircraft instruments, research and development and environmental testing. The facilities include an environmentally controlled "clean room" and areas for assembly, instruction and testing. Standard Precision also is equipped for production of specialized screw machine items and is presently manufacturing ordnance fuze equipment for the U. S. Army.

Employee Relations

ECI has about 2,750 employees, approximately 2,200 at St. Petersburg, 300 at Benson and 250 at Standard Precision. ECI has group life, sickness, accident, hospitalization and surgical benefits and retirement income plans for all its employees.

About 1,000 production and maintenance employees at St. Petersburg are represented by a union affiliated with the AFL-CIO. Negotiations with this union for a three-year collective-bargaining agreement expiring in July 1971 have recently been concluded.

About 200 production and maintenance employees at Benson are represented by unions affiliated with the AFL-CIO. The present collective bargaining agreements expire in 1969.

About 170 production and maintenance employees at Standard Precision are represented by a union affiliated with the AFL-CIO. The present collective bargaining agreement expires in 1970.

Property

ECI owns its offices and manufacturing and engineering facilities which are located on a 30 acre tract in St. Petersburg, Florida. These facilities consist of two adjacent modern buildings which have approximately 325,000 square feet of floor space. A 50,000 square foot addition is planned for completion in late 1968. ECI also has an option to lease an additional 35 acres and an option to purchase an additional 26 acres in the St. Petersburg area for future expansion.

ECI owns two separate plants for its Benson Manufacturing Division in Kansas City, Missouri with a total of 225,000 square feet of floor space. Although both of these plants are over 20 years old, one having been built prior to 1936, they are adequately maintained and are suitable for Benson's present metal fabrication operations.

ECI owns a plant for its Standard Precision Division in Wichita, Kansas, with 55,000 square feet of floor space. The principal facility with 45,000 square feet of floor space, is leased by ECI.

ECI also owns the property described below which is leased to Scott Electronics Corporation.

Scott Electronics Corporation

Scott Electronics Corporation in Orlando, Florida, was established in 1964 and became an affiliate of ECI in December, 1965. The outstanding capital stock of Scott Electronics consists of equal amounts of Class A common stock and Class B common stock. The dividend, liquidation and voting rights of the Class A and Class B common stock are identical except that ECI as the owner of all of the outstanding Class B common stock is entitled to elect a majority of Scott Electronics' Board of Directors. The Class A common stock is owned by two officers of Scott Electronics neither of whom are otherwise affiliated with ECI except as holders of stock and options to purchase stock of ECI. The Class A common stock is convertible into Class B common stock on a share for share basis, and ECI has the option to purchase all of the Class A and Class B common stock from time to time outstanding at prices ranging from 100% to 200% of its book value.

Scott Electronics designs and produces wave filters, magnetic amplifiers, transformers, saturable reactors, toroidal components, inverters, converters and associated electronic modules. Its principal customers are manufacturers of communications and radar systems.

The business in which Scott Electronics engages is highly competitive. Its share of business in its field is believed to be small. Scott Electronics competes with a large number of other electronic component manufacturers, many of whom are considerably larger than Scott Electronics.

Scott Electronics has approximately 400 employees. None have a union affiliation. Scott Electronics occupies a plant of approximately 60,000 square feet which it leases from ECI. This plant has administration, engineering, "clean room" and assembly areas.

DESCRIPTION OF CAPITAL STOCK OF NCR

NCR is authorized to issue 2,000,000 shares of the par value of \$5 each of cumulative Preferred Stock, none of which is outstanding, and 14,000,000 shares of Common Stock of the par value of \$5 each, 8,963,168 shares of which were outstanding on June 30, 1968. The following are summaries of certain rights of and provisions for the Preferred Stock and the Common Stock.

The Preferred Stock

The Preferred Stock is senior to the Common Stock, both with respect to the payment of dividends and the distribution of assets, is issuable from time to time in one or more series, and the Board of Directors is expressly authorized to fix before issue with respect to each series (a) the designation and number of shares to constitute such series, (b) the liquidation rights, (c) the dividend rights, (d) the times and prices of redemption, (e) whether the shares are to be subject to the operation of a sinking or retirement fund, (f) whether the shares are to be convertible or exchangeable for other securities of NCR, (g) any limitation on the payment of dividends on the Common Stock to be effective while any such series is outstanding, (h) the voting powers, if any, in addition to any voting rights provided by law, of the shares of such series, which voting powers may be general or special, and (i) such other provisions as shall not be inconsistent with the Charter. All shares of any series of Preferred Stock shall be identical with each other in all respects, and all series will rank equally and will be identical in all respects except to the extent that the Board of Directors is permitted to vary the terms thereof as above described. Shares of any series of Preferred Stock which have been issued and reacquired (excluding purchased shares which NCR elects to hold as treasury shares), including shares received upon conversion or exchange, will revert to the status of authorized and unissued shares and may be reissued. The Preferred Stock when validly issued for adequate consideration will be fully paid and nonassessable.

The Common Stock

The Common Stock, (i) subject to the prior rights of the Preferred Stock described above and to any limitations on dividends or other restrictions fixed by the Board of Directors before issue with respect to any series of Preferred Stock and to the limitations described under the heading "Restrictions on Dividends" below, is entitled to dividends when and as declared by the Board of Directors, (ii) has full voting power, (iii) subject as aforesaid, is entitled to receive any distribution made to stockholders in liquidation, and (iv) is not entitled to preemptive rights to subscribe for additional shares of any class or securities convertible into such shares other than such rights, if any, as the Board of Directors of NCR may determine from time to time.

Non-cumulative Voting

The holders of Common Stock are entitled to one vote per share. Since the Common Stock does not have cumulative voting rights, the holders of more than 50% of the shares, if they choose to do so, can elect all of the directors, and the holders of the remaining shares cannot elect any director.

There are no conversion rights or redemption or sinking fund provisions with respect to the Common Stock.

The outstanding shares of Common Stock are fully paid and nonassessable, and the shares issuable upon consummation of the exchange will, when so issued, be fully paid and nonassessable.

Restrictions on Dividends

The Indenture with respect to NCR's 4¼% Subordinated Debentures due April 15, 1992 (convertible on or before April 15, 1982), issued in May of 1967, prohibits the declaration or payment of dividends on Common Stock of NCR (other than dividends in Common Stock) or the acquisition or retirement of capital stock of NCR by it or a subsidiary unless, after giving effect thereto, the accumulated consolidated net income of NCR and its subsidiaries earned subsequent to December 31, 1966, plus the sum of \$30,000,000, plus the net proceeds of the issuance, sale or other disposition after December 31, 1966 of stock of NCR and of indebtedness of NCR which has thereafter been converted into stock of NCR (including the said Debentures) shall exceed the sum of (i) all dividends and other distributions on the capital stock of NCR (other than dividends or distributions payable in shares of Common Stock of NCR) expended by NCR subsequent to December 31, 1966, and (ii) the aggregate amount of expenditures made by NCR and any subsidiary subsequent to December 31, 1966 for the acquisition or retirement for value of any shares of capital stock of NCR. The term "consolidated net income" is defined to mean all net income of NCR and its subsidiaries appearing on a consolidated income statement of NCR and its subsidiaries as reported to stockholders and accompanied by a certificate of independent public accountants. Such income includes non-operating income, and is after deduction of all expenses and charges of every proper character, all as determined in accordance with generally accepted accounting principles. As at December 31, 1967 approximately \$59,300,000 of the earnings retained for use in the business were free of such restrictions.

DESCRIPTION OF COMMON STOCK OF ECI

ECI is authorized to issue 2,000,000 shares of common stock of the par value of \$1 per share and 200,000 shares of 6% Cumulative Convertible Preferred Stock of the par value of \$10 per share. All of the outstanding Preferred Stock was redeemed on July 31, 1968 and no additional Preferred Stock will be issued. Accordingly, no description of the Preferred Stock is included in this Prospectus.

The holders of common stock of ECI (i) are, subject to the limitations described below, entitled to dividends out of ECI's surplus or net profits when and as declared by the Board of Directors, (ii) have full voting power, each share being entitled to one vote, (iii) are entitled, in the event of any liquidation of ECI, to their pro rata share of the assets remaining after payment or provision for payment of all liabilities, and (iv) are not entitled to preemptive rights to subscribe for additional shares of any class or securities convertible into such shares other than such rights, if any, as the Board of Directors of ECI may determine.

Under ECI's Revolving Credit Agreement with a group of banks it is provided that ECI will not without the consent of the banks declare or pay any dividends (except stock dividends) or make any other distribution to stockholders or redeem any shares of its capital stock unless the aggregate amount of all such cash dividends, distributions and redemptions in any period of twelve consecutive months does not exceed 50% of ECI's net earnings (after all taxes) for such period.

MANAGEMENT OF NCR

Directors and Executive Officers

The names of all directors and executive officers of NCR are as follows :

<u>Name</u>	<u>Office</u>
Robert S. Oelman	Director and Chairman of the Board*
R. Stanley Laing	Director and President*
Robert G. Chollar	Director; Vice President and Group Executive Research and Development and Manufacturing
George Haynes	Director; Vice President and Group Executive International Operations
Charles L. Keenoy	Director; Vice President and Group Executive Domestic Marketing
John J. Hangen	Director, Vice President, Finance*
Frederic H. Brandi	Director*
Fred C. Foy	Director
Joseph A. Grazier	Director
William P. Patterson	Director
David L. Rike	Director
James S. Rockefeller	Director*
Thomas E. Sunderland	Director
J. M. Boyle	Vice President, Domestic Sales
W. J. Carroll	Vice President, Product Planning
D. E. Eckdahl	Vice President, Electronics Division
H. W. Frapwell	Vice President, Marketing Administration
O. B. Gardner	Vice President, Industry Marketing
A. S. Gillan	Vice President, International Administration
D. K. Hughes	Vice President, Manufacturing
T. E. McCarthy	Vice President, Product Marketing
J. E. Rambo	Vice President, Secretary and General Counsel
C. F. Rensch	Vice President, Engineering and Advanced Development
B. L. Shafer	Vice President, Industrial Relations
R. M. Sweeney	Vice President and General Manager, Business Forms and Supply Division
G. J. Wilson	Vice President and General Manager, Special Products Division
H. R. Wise	Vice President, International Marketing
A. S. Holzman	Controller
E. C. Nowak	Treasurer
C. E. Martin	Director of Taxes and Group Benefits

* Member of the Executive Committee.

All of the executive officers have been continuously in the employ of NCR for more than five years except Mr. R. M. Sweeney who prior to 1964 was an officer of Business Systems, Incorporated acquired by NCR in that year.

Remuneration and Other Transactions with Management and Others

The remuneration, on an accrual basis, paid during the last fiscal year by NCR and its subsidiaries to each director, and each of the three highest paid officers, whose aggregate remuneration exceeded \$30,000, is set forth together with certain other information in the following table:

Name	Capacity	Aggregate Remuneration ¹	Deferred Contingent Compensation Award for 1967	Trust for Employees ²	Estimated Annual Retirement Benefits ³
Robert G. Chollar	Director and Vice President and Group Executive—Re- search and Development and Manufacturing	\$ 81,000	\$ 28,000	\$ 1,917	\$23,614
John J. Hangen	Director and Vice President, Finance	55,750	20,000	1,238	22,494
George Haynes	Director and Vice President and Group Executive—In- ternational Operations	93,000	—	1,917	17,882
Charles L. Keenoy	Director and Vice President and Group Executive— Domestic Marketing	106,000 ⁴	—	1,917	18,715
R. Stanley Laing	Director and President	97,500	80,000	2,835	24,625
Robert S. Oelman	Director and Chairman	175,000	50,000	3,993	26,188
All directors and officers as a group (28 in the group)		\$1,386,525 ⁵	\$228,500	\$28,101	

¹ Directors who are salaried officers receive no additional remuneration as director.

² In 1926 four stockholders of NCR created a trust of shares of stock of NCR for the benefit of employees. As of December 31, 1967, the trust held 233,162 shares. Dividends from said shares were distributed to 1,746 employees in 1967. Said distribution does not come from funds of NCR.

³ These estimated annual retirement benefits under NCR's Retirement Plan as amended effective July 1, 1955, are based upon contributions by both the individual and NCR and are calculated upon the eligible earnings in each case, and upon the assumption that there will be no change in the current rate of earnings of each individual and that each individual will continue as a participant in the Plan until his normal retirement date.

⁴ In addition to the amount stated above, under the terms of his contract as Manager of one of NCR's branch sales offices which was cancelled December 31, 1965, for services rendered thereunder prior to cancellation Mr. Keenoy received during 1967 \$5,500.

⁵ One of the officers not listed above received under the terms of his contract as Manager of one of NCR's branch sales offices which was cancelled prior to his appointment as a corporate officer on January 1, 1966 for services rendered thereunder prior to such cancellation, \$500 during 1967. Both the foregoing amount and that referred to in note 4 above are included in the aggregate remuneration for all directors and officers as a group.

Under the terms of employment agreements entered into in 1959 with Mr. Oelman, in 1964 with Mr. Laing and in 1966 with Messrs. Chollar, Haynes and Keenoy, for each twelve months of service thereunder Mr. Oelman is entitled upon termination of service to contingent deferred compensation in the amount of \$3,000 per year and Messrs. Chollar, Haynes, Keenoy and Laing are entitled to similar compensation under like terms in the amount of \$1,000 per year. All such contingent deferred compensation is payable for a period of ten years beginning on termination of service. The agreement with Mr. Oelman superseded a prior agreement entered into in 1957. The agreement with Mr. Chollar superseded a prior agreement entered into in 1959. Under such contracts through December 31, 1967 Mr. Oelman had become entitled to receive \$30,250 a year, Mr. Chollar had become entitled to receive \$7,000 a year, Mr. Haynes had become entitled to receive \$1,750 a year, Mr. Keenoy had become entitled to receive \$1,750 a year and Mr. Laing had become entitled to receive \$3,750 a year. In addition, for services rendered in 1967 and in lieu of an equivalent amount of cash remuneration, awards of deferred contingent compensation were made to Messrs. Chollar, Hanger, Laing and Oelman and to all directors and officers as a group (28 in all) including those named, in the respective amounts shown in the above table. Under these awards deferred contingent compensation is payable in ten equal annual installments beginning on termination of service with NCR except in the case of Mr. Laing whose award is payable in two equal installments of \$40,000 each on January 15, 1970 and January 15, 1971. The payments of deferred compensation under such contracts and awards are subject to certain contingencies which may result in the termination or reduction of such payments. For tax purposes, such amounts of deferred contingent compensation will be deducted by NCR in the year in which payment, if any, is made.

Dillon Read & Co. Inc., acted as managing underwriter in 1967 with respect to an offering of \$88,696,700 principal amount of 4¼% Subordinated Debentures due April 15, 1992 and received for its services as such a gross underwriting commission of \$103,646.29. It also acted as managing underwriter in 1966 with respect to an offering of \$60,000,000 principal amount of 5.60% Sinking Fund Debentures due June 15, 1991 and received for its services as such a gross underwriting commission of \$72,000. Mr. Frederic H. Brandt is Chairman, a director and stockholder of Dillon Read & Co. Inc.

First National City Bank acted as Subscription Agent in connection with the issue in 1967 of NCR's 4¼% Subordinated Debentures due April 15, 1992, and received \$77,257.73 for its services in that capacity. Mr. Rockefeller at the time of the issue was Chairman of First National City Bank.

Effective December 31, 1965, Mr. Harry C. Keeseecker resigned as an officer and director of NCR and on January 1, 1966 became Branch Manager of NCR's Los Angeles sales office. At that time NCR entered into an agreement providing for the payment to Mr. Keeseecker of \$8,000 per year for each of the five years commencing on his retirement or termination of full time employment, in consideration of Mr. Keeseecker agreeing not to compete with NCR and to be available for consultative service.

Stock Option Plans

NCR has two stock option plans, one approved by stockholders in 1958 (the "1958 Plan") and the other approved by stockholders in 1966 (the "1966 Plan"). The 1958 Plan was amended in June 1964 to conform to the requirements of the amendment of the Internal Revenue Code enacted in that year. Options granted under the 1958 Plan before June 1964 were designed to be restricted stock options as defined in the Code and those granted after the 1958 Plan was amended were designed to

be qualified stock options as defined in the Code. Options granted under the 1966 Plan may be either qualified stock options or unqualified options. All options entitle the holder thereof to purchase shares of Common Stock of NCR. On May 31, 1968 options to purchase an aggregate of 93,134 shares of NCR's Common Stock had been granted and were outstanding under both Plans, and there remained available under the 1966 Plan for options, which may be granted in the future, 197,300 shares. No further options may be granted under the 1958 Plan. The number of shares subject to option and with respect to which options may be granted in the future and the exercise price of outstanding options are subject to adjustment upon the happening of certain events. The following table sets forth information with respect to shares under option as of May 31, 1968:

1958 Plan:

<u>Number of Optionees</u>	<u>Number of Shares Subject to Option</u>	<u>Option Price</u>	<u>Expiration Date</u>
8	8,256	\$ 67.34	January 21, 1969
7	6,900	66.19	June 24, 1969
10	12,579	58.16	November 18, 1969
1	5,350	97.44	April 25, 1972
8	10,845	77.26	December 19, 1972
6	5,339	74.10	July 20, 1970
8	2,200	110.50	March 19, 1973

1966 Plan:

<u>Number of Optionees</u>	<u>Number of Shares Subject to Option</u>	<u>Option Price</u>	<u>Expiration Date</u>
2	10,000	\$ 84.50	July 19, 1971
4	8,500	66.63	September 20, 1971
64	18,765	66.63	September 20, 1976
1	1,000	67.87	January 2, 1972
1	3,000	103.63	February 4, 1973
2	400	110.50	March 19, 1973

Options expiring on June 24, 1969, July 20, 1970, July 19, 1971, September 20, 1971, January 2, 1972, February 4, 1973, and March 19, 1973 referred to in the above table are intended to be qualified stock options. The options expiring on September 20, 1976 are not intended to be qualified or restricted stock options. All other options referred to in the above table are intended to be restricted stock options. Each option, which is non-transferable and exercisable by the optionee only while an employee, except in certain circumstances, was granted in consideration of the optionee's agreeing to remain in the employ of NCR for one year. Options granted under the 1958 Plan may not be exercised prior to the expiration of one year from the date of grant, at which time 20% of the shares with respect to restricted options and 25% of the shares with respect to qualified options thereby become available and a further 20% or 25%, depending upon whether the option is restricted or qualified, become so available each year thereafter until all such shares have become available. All options granted under the 1966 Plan mature fully after the expiration of one year following the date of grant. Both Plans provide that the purchase

price of the stock under each option granted thereunder shall be the fair market value of the stock on the day of the grant.

On May 31, 1968, options were held by officers and directors of NCR as indicated in the following table:

	<u>No. of Shares</u>	<u>Purchase Price Per Share</u>	<u>Expiration Date</u>
R. G. Chollar	2,000	\$ 66.63	September 20, 1971
J. J. Hangen	775	66.19	June 24, 1969
	788	74.10	July 20, 1970
	1,500	66.63	September 20, 1971
G. Haynes	5,350	97.44	April 25, 1972
	1,050	66.19	June 24, 1969
	2,000	66.63	September 20, 1976
C. L. Keenoy	8,000	84.50	July 19, 1971
R. S. Laing	3,857	58.16	November 18, 1969
	1,575	66.19	June 24, 1969
	2,500	66.63	September 20, 1971
R. S. Oelman	5,513	58.16	November 18, 1969
	2,500	66.63	September 20, 1971
All directors and officers as a group (18 in the group) ..	3,032	67.34	January 21, 1969
	10,710	58.16	November 18, 1969
	5,350	97.44	April 25, 1972
	6,645	77.26	December 19, 1972
	6,900	66.19	June 24, 1969
	3,638	74.10	July 20, 1970
	10,000	84.50	July 19, 1971
	8,500	66.63	September 20, 1971
	4,500	66.63	September 20, 1976
	1,000	67.87	January 2, 1972
	3,000	103.63	February 4, 1973

See "Comparative Price Ranges of NCR and ECI Common Stocks" for recent market prices of the Common Stock.

NCR has effected insurance ("Reimbursement for Directors' and Officers' Liability Insurance") covering sums spent by it in indemnifying directors, officers and employees under the indemnification by-law of NCR, and has also effected insurance ("Directors' and Officers' Liability Insurance") protecting directors and officers against certain liabilities in respect of which they are not indemnified under the by-law. NCR pays the premium on the "Reimbursement for Directors' and Officers' Liability Insurance" policy, and the covered directors and officers pay the premium on the "Directors' and Officers' Liability Insurance" policy. The premium on the "Reimbursement for Directors' and Officers' Liability Insurance" policy represents 90% of the aggregate of the premiums on both policies and the premium on the "Directors' and Officers' Liability Insurance" policy represents 10% of the aggregate of the premiums on both policies.

Ownership of Securities

As of May 15, 1968, directors and executive officers of NCR as a group owned beneficially 46,337 shares of the outstanding Common Stock of NCR and \$1,100 principal amount of its 4¼% Subordinated Debentures due April 15, 1992.

MANAGEMENT OF ECI

Stock Options, Remuneration and Other Transactions with Management

The following table shows total remuneration paid by ECI for the fiscal year ended September 30, 1967, to the following:

	<u>Capacities in Which Remuneration Was Received</u>	<u>Remuneration</u>
S. W. Bishop	President and Director	\$ 75,500 ⁽¹⁾
W. R. Yarnall	Financial Vice President and Director	42,400 ⁽²⁾
J. B. Williams	Vice President and General Manager—St. Petersburg Division and Director	45,200
All sixteen officers and directors as a group		333,100 ⁽³⁾

⁽¹⁾ Mr. Bishop is employed under an agreement, expiring April 30, 1970, which provides for compensation of not less than \$50,000 a year plus 1% of the consolidated income of ECI and its subsidiaries, as defined in the agreement, before deduction of income taxes. Pursuant to the agreement ECI maintains \$100,000 of insurance upon his life payable to his beneficiary.

⁽²⁾ Mr. Yarnall is employed under an employment and consulting agreement, expiring April 30, 1973, which provides for compensation of not less than \$40,000 a year until April 30, 1970 and not less than \$20,000 a year thereafter.

⁽³⁾ Does not include \$40,000 of fees for legal services paid to the firm of Ballard, Spahr, Andrews & Ingersoll, of which Thomas G. B. Ebert, a director and an Assistant Secretary of ECI, is a partner.

The benefits payable under ECI's Retirement Income Plan for Salaried Employees to the persons named in the preceding table, in the event of their retirement at age 65, are estimated as follows: Mr. Bishop \$6,900 a year; Mr. Yarnall \$3,700 a year; Mr. Williams \$5,500 a year.

Mr. J. Paul Crawford, Jr., a director of ECI, is a Senior Vice President of Chemical Bank New York Trust Company which has the largest participation in the revolving credit agreement between ECI and a group of banks to provide working capital. The largest amount of borrowings from this bank outstanding under the agreement at any time since it became effective on February 28, 1967 was \$2,177,500.

The A. & H. Kroeger Organization, of which Mr. H. A. Kroeger, a director of ECI, is a partner, will be paid a total of \$30,000 for consulting and economic advisory services rendered to ECI during the fiscal year ending September 30, 1968, including services rendered in connection with the Exchange Offer. The firm of Ballard, Spahr, Andrews & Ingersoll will be paid a fee by ECI for legal services rendered in 1968, including services rendered in connection with the Exchange Offer.

As of May 31, 1968, thirteen officers and other key employees held options under the 1964 Qualified Stock Option Plan (the "1964 plan") and the 1957 Restricted Stock Option Plan (the "1957 plan") to purchase a total of 34,548 shares of common stock of ECI. These options, all of which are presently exercisable, are held as follows:

	<u>Date of Grant</u>	<u>Number of Shares Subject to Options</u>	<u>Option Price Per Share</u>
S. W. Bishop	December 27, 1962	368	\$ 9.77
	January 26, 1967	5,000	20.00
	December 5, 1967	5,000	24.69
J. B. Williams	November 23, 1964	1,000	8.99
	January 26, 1967	1,500	20.00
	December 5, 1967	2,500	24.69
Other officers and employees ..	Various dates from December 27, 1962 to December 5, 1967	19,180	{ 8.99 to 24.69
Total		34,548	

No further options may be granted under the 1957 plan. The options granted prior to November 23, 1964 are covered by the 1957 plan and are intended to conform to the definition of "restricted stock options" in the Internal Revenue Code. In each case the option price was 85% of the fair market value of ECI's common stock on the date the option was granted. The numbers in the preceding table have been adjusted to reflect the 10% stock dividend paid December 21, 1966. The options granted on November 23, 1964 and thereafter are covered by the 1964 plan and are intended to conform to the definition of "qualified stock options" in the Internal Revenue Code. The option price was 100% or more of the fair market value of ECI's common stock on the date the options were granted. Each of these options expires five years after the date of grant or earlier as provided in the 1964 plan in the event of termination of employment or death.

It is a condition of the Agreement, dated as of May 20, 1968, between NCR and ECI, among other things, that at the Closing Date there be delivered to NCR the resignations of all of the directors of ECI expressed to take effect at the pleasure of NCR. If the Exchange Offer is consummated, NCR intends to operate ECI as a subsidiary and it is contemplated that NCR will accept the resignations of all directors who are not officers of ECI and elect directors of NCR's choice. NCR does not contemplate effecting any immediate changes in the present officers of ECI.

LITIGATION

NCR is subject to a consent decree entered against its predecessor and others (effective February 1, 1916) in the District Court of the United States, Southern District of Ohio, Western Division. This consent decree enjoins NCR and the other defendants from engaging in a variety of restrictive trade practices with respect to cash registers or other registering devices. The decree also enjoins NCR from acquiring ownership or control, directly or indirectly, by means of stock ownership or otherwise, of the whole or an essential part of the business, patents or plants of any competitor engaged in the manufacture or sale of cash registers or other registering devices in interstate or foreign commerce, except with the approval of the Court. Jurisdiction of the case is retained by the Court for the purpose of passing upon such proposed acquisitions, and for the purpose of enforcing or modifying the decree upon application of any of the parties thereto.

In addition to the foregoing, NCR is a party to a small number of actions of a routine nature incidental to its business, none of which is regarded by NCR as material.

EXPERTS

The financial statements included in this Prospectus and the schedules included elsewhere or incorporated herein by reference in the Registration Statement, except for the statements of ECI that relate to the three month periods ended December 31, 1966 and 1967, have been examined by Price Waterhouse & Co., Arthur Andersen & Co. and Peat, Marwick, Mitchell & Co., independent accountants, whose opinions thereon appear herein and elsewhere in the Registration Statement, and have been included or incorporated by reference by NCR in reliance on the opinions of such firms and on their authority as experts in auditing and accounting.

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OPINIONS OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
THE NATIONAL CASH REGISTER COMPANY

We have examined the accompanying consolidated statement of financial position of The National Cash Register Company as of December 31, 1967 and the related statements of earnings retained for use in the business and capital surplus together with the consolidated statement of income for the five years then ended appearing elsewhere in this Prospectus. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of The National Cash Register Company (Japan) Ltd., a consolidated subsidiary, which statements have been examined by other independent accountants whose report thereon has been furnished to us.

In our opinion, based on our examination and the report mentioned above of other independent accountants, the accompanying consolidated financial statements and the "Consolidated Statement of Income" appearing elsewhere in this Prospectus present fairly the financial position of The National Cash Register Company and its subsidiaries at December 31, 1967, and the results of their operations for the five years then ended in conformity with generally accepted accounting principles. These principles were consistently applied during the period after giving retroactive effect to the inclusion, which we approve, of the accounts of international subsidiaries and branches as explained in Note 1.

PRICE WATERHOUSE & Co.

New York, New York
February 16, 1968

Board of Directors
THE NATIONAL CASH REGISTER COMPANY

We have examined the balance sheet of The National Cash Register Company (Japan) Ltd. as of November 30, 1967 and the related statements of income and surplus for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements (not presented separately herein) present fairly the financial position of The National Cash Register Company (Japan) Ltd. at November 30, 1967 and the results of its operations for the five years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & Co.

Tokyo, Japan
January 20, 1968

**THE NATIONAL CASH REGISTER COMPANY
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 1967**

ASSETS

Current assets:

Cash	\$ 26,253,528
Marketable securities, at cost (approximate market)	47,669,067
Receivables—Note 2	253,116,911
Inventories—Note 3	334,784,384
Prepaid expenses	10,992,466
	<u>672,816,356</u>

Property, plant and equipment—Note 4 330,772,759

Other assets 6,555,386

Total assets \$1,010,144,501

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current installment on long-term debt	\$ 2,192,133
Notes payable to banks	74,186,664
Notes payable to others	11,601,673
Accounts payable	25,117,282
Accrued taxes	39,681,602
Accrued payroll	32,750,127
Other accrued liabilities	54,661,478
Dividend payable	2,674,046
Customers' deposits and service prepayments	70,806,912
	<u>313,671,917</u>

Long-term debt (exclusive of installments due within one year)—Note 5 268,085,364

Lease purchase obligation 1,800,000

International employees' pension and indemnity reserves 16,742,564

International operations reserve—Note 1 7,678,009

Minority interests 10,597,347

Stockholders' equity:

Preferred stock—cumulative, \$5 par value	
Authorized—2,000,000 shares; issued and outstanding—none	
Common stock, \$5 par value—Note 7	
Authorized—14,000,000 shares; issued and outstanding—8,919,633 shares..	44,598,165
Capital surplus, per accompanying statement	146,113,055
Earnings retained for use in the business, per accompanying statement	200,858,080
	<u>391,569,300</u>
Total stockholders' equity	<u>\$1,010,144,501</u>
Total liabilities and stockholders' equity	

**THE NATIONAL CASH REGISTER COMPANY
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

	(000 omitted) For the three years ended December 31		
	1965	1966	1967
Balance, January 1	\$163,926	\$153,463	\$175,174
Retained earnings of The Microcard Corporation, a pooled subsidiary—(Note 1)			1,028
Net income for the year	29,422	32,262	35,320
Dividends:			
Cash (\$1.16 per share in 1965, adjusted for 5% stock dividend in 1965, \$1.20 in 1966, \$1.20 in 1967)	(10,168)	(10,551)	(10,664)
Stock—5% (418,546 shares at \$71 a share, approximate market value)	(29,717)		
Balance, December 31	<u>\$153,463</u>	<u>\$175,174</u>	<u>\$200,858</u>

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

	(000 omitted) For the three years ended December 31		
	1965	1966	1967
Balance, January 1	\$113,615	\$141,887	\$142,143
Excess of amount paid in over par value of common stock issued	648	256	2,922
Excess of approximate market value over par value of common stock issued as a stock dividend in 1965 ..	27,624		
Excess of par value of 65,000 shares of common stock issued over stated capital of The Microcard Corporation			(190)
Excess of the 70 percent interest acquired in the net assets of Erlanger & Galinger, Inc. over par value of 9,140 common shares issued			827
Excess of conversion price over par value of 4,330 common shares issued on conversion of 4.25% subordinated convertible debentures			411
Balance, December 31	<u>\$141,887</u>	<u>\$142,143</u>	<u>\$146,113</u>

**THE NATIONAL CASH REGISTER COMPANY
AND SUBSIDIARY COMPANIES**

NET ASSETS EMPLOYED IN INTERNATIONAL OPERATIONS

December 31, 1967

A S S E T S

Current assets:	
Cash and securities	\$ 12,980,588
Receivables	128,153,050
Inventories	154,409,325
Prepaid expenses	7,805,717
	<u>303,348,680</u>
Property, plant and equipment	107,685,574
Other assets	3,073,789
Total assets	<u>414,108,043</u>

LIABILITIES AND RESERVES

Current liabilities:	
Current installments on long-term debt	789,133
Notes payable to banks	74,039,568
Notes payable to others	7,226,673
Accrued payroll	7,396,420
Accrued taxes	26,324,085
Payables and accruals	46,695,592
Customers' deposits and service prepayments	33,175,171
	<u>195,646,642</u>
Long-term debt	18,287,164
Employees' pension and indemnity reserves	16,742,564
Total liabilities	<u>230,676,370</u>
	<u>183,431,673</u>
Less—Minority interests	10,597,347
Net assets employed in international operations	<u>\$172,834,326</u>
Geographical distribution of net assets:	
Canada	\$ 17,617,094
Great Britain and Continental Europe	79,468,875
Japan, Australia and Far East	38,234,850
Latin America	30,528,283
Africa and Middle East	6,985,224
Total	<u>\$172,834,326</u>

THE NATIONAL CASH REGISTER COMPANY AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1—Accounting Policy and Basis of Consolidation:

Effective with the year 1967, the financial statements have been prepared on a fully consolidated basis and accordingly include the accounts of all domestic and international subsidiaries and branches. In prior years the results of operations included the income, costs and expenses of all subsidiary companies and branches throughout the world; however, the net earnings of foreign subsidiaries and branches, except Canada, which had not been remitted to the United States (\$5,042,984 in 1966) were deducted in arriving at net income for the year. The Statement of Financial Position included only NCR's net investment in foreign subsidiaries and branches and did not include accumulated unremitted earnings abroad. At December 31, 1967, NCR's equity in net assets of its consolidated subsidiary companies exceeded its investment therein by \$87,826,076 which in consolidation has been included in retained earnings.

Also in 1967, effective December 31, 1966, certain previously established international reserves were designated as an "International Operations Reserve". The purpose of this reserve is to recognize the risk of certain non-operating charges such as currency devaluations which occur from time to time abroad. NCR intends to follow a consistent practice of maintaining this reserve at an appropriate level.

Property accounts and certain inventories of international subsidiaries and branches are stated at equivalent dollar cost at date of acquisition, less depreciation. All other items are at year-end exchange rates.

Net sales, service income and equipment rental outside the United States included in income for the five years ended December 31, 1967 were \$256,202,000, \$290,441,000, \$325,576,000, \$389,891,000 and \$420,517,000, respectively. Net income of international operations, after deduction of royalty payments to the parent company and after provision for U. S. Income Tax, for the five years ended December 31, 1967 was \$11,083,600, \$11,504,000, \$13,213,000, \$15,679,000, and \$18,039,000, respectively.

During 1967 NCR issued 65,000 shares of its common stock in exchange for all the outstanding shares of The Microcard Corporation. This acquisition was treated as a "pooling of interests", and accordingly the results of operations include \$369,000, the net income of The Microcard Corporation for the entire year. No adjustment was made for prior years, since the effect would not have been material. An additional 9,140 shares were issued to acquire a 70% interest in Erlanger & Galinger, Inc., a Philippine corporation, which transaction was treated as a purchase and the results of operations include the net income of that company from the date of purchase. In December, 1967, NCR purchased the 20% minority interest of its German subsidiary for \$4,375,000. This subsidiary is now wholly owned.

NOTE 2—Receivables:

Receivables at December 31, 1967 comprise:

Current accounts	\$172,283,000
Installment accounts	87,141,000
	<hr/> 259,424,000
Less—Provision for doubtful accounts	6,307,000
	<hr/> <u>\$253,117,000</u>

Equipment is sold on terms extending over periods of up to 36 months. Profit on these sales is included in income at the time of sale. It is estimated that approximately one-third of installment accounts are due after one year. Other customers are, for the most part, 30-day accounts.

**THE NATIONAL CASH REGISTER COMPANY
AND SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 3—Inventories:

Inventories at December 31, 1967 comprise:

Raw stock and production supplies	\$ 41,903,000
Work in process	104,199,000
Finished goods	189,122,000
	<u>\$334,784,000</u>

Inventories are priced generally at the lower of cost or replacement market. Cost is determined on the last-in, first-out method for a substantial portion of the domestic inventories and generally on an average cost basis for foreign and other domestic inventories.

Inventories used in determining cost of products sold were: \$334,784,000, \$294,095,000, \$250,004,000 and \$211,937,000 at December 31, 1967, 1966, 1965 and 1964, respectively.

NOTE 4—Properties and Depreciation Policy:

The major classes of property at December 31, 1967, stated at cost, are as follows:

Land	\$ 11,079,000
Buildings	107,351,000
Machinery and equipment	185,569,000
Tools	87,869,000
Rental machines	244,512,000
	<u>636,380,000</u>
Less—Depreciation	305,607,000
	<u>\$330,773,000</u>

Additions, renewals and betterments of property, unless of minor amount, are capitalized and depreciated on the straight-line method for domestic assets acquired prior to 1954 and for most foreign assets, and on the sum of the years-digits method for domestic assets acquired in 1954 and thereafter. The following estimated useful lives are used in computing depreciation for properties.

	<u>Years</u>
Buildings	20 to 50
Machinery and equipment	5 to 20
Automobiles	4
Tools	10
Rental machines	4 to 6

During 1967, NCR paid approximately \$12,574,000, including \$6,467,000 foreign, for rentals under leases of varying duration, principally for sales and service offices.

NCR has treated the investment credits of \$1,411,000 for 1967, \$1,601,000 for 1966 and \$1,290,000 for 1965 property additions as a reduction in the provision of U. S. income taxes.

THE NATIONAL CASH REGISTER COMPANY AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

Maintenance and repairs are charged to income. Asset and related reserve amounts are removed from the accounts for all fully depreciated assets, except rental machines, and for retirements or disposition of property, plant, and equipment, except tools. The net book value of tools retired or disposed of is credited against the current year's additions to the asset account; provision for depreciation of such tools is continued over the period of the previously estimated useful life. Any gains or losses on dispositions of properties are reflected in income.

NOTE 5—Long-Term Debt:

Long-term debt at December 31, 1967, exclusive of installments due within one year and debentures held for retirement, consists of the following:

3.375%-3.75% Sinking fund notes due 1969-1980	\$ 15,427,000
4.75% Sinking fund debentures due 1969-1985	36,390,000
4.375% Sinking fund debentures due 1969-1987 ...	47,000,000
5.60% Sinking fund debentures due 1971-1991	60,000,000
4.25% Subordinated convertible debentures due 1982-1992	88,264,000
5.15% Swiss franc bonds due 1978-1982	11,574,000
Real estate mortgage due 1969-1989	2,717,000
Mortgages and other long-term debt of foreign subsidiaries and branches	6,713,000
	<u>\$268,085,000</u>

Payments required on long-term debt during the next five years are \$4,254,000 in 1969, \$4,181,000 in 1970, \$5,437,000 in 1971, \$5,746,000 in 1972 and \$5,730,000 in 1973. At the option of NCR, all or part of the long-term debt may be paid prior to maturity.

The 4.25% debentures are subordinated to all senior indebtedness including the present outstanding sinking fund notes and debentures. The 4.25% debentures are convertible at their principal amount into common stock at \$100 a share to and including April 15, 1982.

The 4.25% debentures are redeemable on not less than thirty days written notice at 104.07% of their principal amount to and including April 14, 1968 and thereafter at decreasing prices. The indenture requires payments to a sinking fund prior to October 15, 1982 and prior to each October 15 thereafter to and including October 15, 1991 an amount sufficient to retire debentures in the aggregate principal amount equal to 5% of the aggregate principal amount of debentures outstanding at the close of business on April 15, 1982.

The indenture contains certain covenants among which are provisions that restrict the payment of dividends other than dividends in Common Stock of NCR. Approximately \$59,300,000 of the earnings retained for use in the business at December 31, 1967 is free of such restrictions.

NOTE 6—Retirement Plan:

NCR has a voluntary, contributory retirement plan for domestic employees and a noncontributory plan for domestic employees who meet certain service requirements. For the three years ended December 31, 1967, \$5,499,000, \$5,949,000 and \$6,613,000, respectively, was charged to income for payment into the NCR Retirement Plan including amortization of past service costs. At December 31, 1967, the portion of past service costs still unfunded amounted to \$16,330,000 which will be amortized over periods of 8 to 18 years. An additional \$3,583,000 was charged to income in 1967 for employee pension plans of major international subsidiaries.

**THE NATIONAL CASH REGISTER COMPANY
AND SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 7—Stock Option Plan:

Under the stock option plan approved by the stockholders in 1958, there were 115,279 shares under option to key employees on January 1, 1967. Options are exercisable in annual installments beginning one year after the date granted and expire five years thereafter for options granted after April, 1964, and ten years thereafter for prior options. At December 31, 1967, 2,219 shares were available for granting of options in the future. Option prices and number of shares in this note have been adjusted for the 5% stock dividends paid in 1960 and 1965.

The number of shares under option at December 31, 1967, and the option prices and fair value, per share and in total, at the dates the options were granted were as follows:

	Number of shares	Option price and fair value	
		Per share	Total
January 22, 1959	26,154	\$67.34	\$1,761,210
November 19, 1959	15,586	58.16	906,482
April 26, 1962	5,350	97.44	521,304
December 20, 1962	14,845	77.22	1,146,925
June 25, 1964	8,925	66.19	590,746
July 21, 1965	5,339	74.10	395,620
	<u>76,199</u>		<u>\$5,322,287</u>

The number of shares with respect to which options became exercisable for the three years ended December 31, 1967 and the option prices and fair value per share and in total, at the dates the options became exercisable, were as follows:

Year ended December 31	Number of shares	Option price		Fair value	
		Per share	Total	Per share	Total
1965	7,481	\$66.19 - \$102.98	\$ 584,113	\$74.05 - \$ 82.80	\$ 606,321
1966	9,253	66.19 - 102.98	715,418	66.13 - 88.19	732,433
1967	9,043	66.19 - 97.44	693,792	95.25 - 134.06	1,025,083

The number of shares with respect to which options were exercised for the three years ended December 31, 1967 and the option prices and fair value, per share and in total, at the dates the options were exercised, were as follows:

Year ended December 31	Number of shares	Option price		Fair value	
		Per share	Total	Per share	Total
1965	11,420	\$58.16 - \$ 67.34	\$ 702,516	\$82.50 - \$ 83.22	\$ 945,151
1966	4,501	58.16 - 67.34	278,403	82.47 - 83.58	374,173
1967	39,080	58.16 - 102.98	2,616,860	99.24 - 133.19	4,178,570

Under the stock option plan approved by the stockholders in 1966, 250,000 shares of Common Stock were reserved for the granting of stock options to key employees. During 1967, options were granted to purchase 1,000 shares at \$67.87, the market price on the date the options were granted. All options granted are exercisable in full one year after the date granted and expire five years thereafter for qualified options and ten years thereafter for non-qualified options. At December 31, 1967, 200,700 shares were available for granting of options in the future.

**THE NATIONAL CASH REGISTER COMPANY
AND SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS—(Continued)

The number of shares under option at December 31, 1967 and the option prices and fair value, per share and in total, at the dates the options were granted were as follows:

	Number of shares	Option price and fair value	
		Per share	Total
July 28, 1966	10,000	\$84.50	\$ 845,000
September 21, 1966	30,180	66.63	2,010,893
January 3, 1967	1,000	67.87	67,870
	<u>41,180</u>		<u>\$2,923,763</u>

During 1967, options on 48,300 shares became exercisable at option prices ranging from \$66.63 to \$84.50 aggregating \$3,396,929 on dates when the fair values per share ranged from \$98.38 to \$110.13, aggregating \$5,201,538.

During 1967, options on 8,120 shares were exercised at \$66.63 per share aggregating \$541,036 on dates when the fair value per share was \$121.94, aggregating \$990,152.

Fair values per share are based on the average of high and low prices on the New York Stock Exchange.

The proceeds from sales of common stock under exercised options are credited to capital stock to the extent of the par value with the balance being credited to capital surplus.

NOTE 8—Supplementary Profit and Loss Information:

	(000 omitted)		
	Year ended December 31		
	1965	1966	1967
Maintenance and repairs—charged to:			
Cost of products sold	\$11,310	\$14,440	\$14,330
Other expense accounts	3,534	3,973	5,880
Depreciation—charged to:			
Cost of products sold	\$35,329	\$47,087	\$57,865
Other expense accounts	14,848	14,809	21,033
Taxes other than income taxes:			
Real estate and personal property	\$ 6,121	\$ 7,050	\$ 9,173
Social security	8,249	12,749	13,770
Sales, licenses and others	1,873	1,594	1,824
Foreign	3,184	4,247	3,792
	<u>\$19,427</u>	<u>\$25,640</u>	<u>\$28,559</u>
Total—charged to:			
Cost of products sold	\$ 8,641	\$11,730	\$14,198
Other expense accounts	10,786	13,910	14,361
Rents—charged to:			
Cost of products sold	\$ 715	\$ 927	\$ 1,126
Other expense accounts	9,110	10,997	11,447

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO ELECTRONIC COMMUNICATIONS, INC.:

We have examined the balance sheet of Electronic Communications, Inc. (a New Jersey corporation) as of September 30, 1967, and the related statements of income (included under the heading "Statements of Income" herein), retained earnings and capital surplus for the five years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain confirmation of receivables from the United States Government; however, we have applied other auditing procedures with respect to such receivables.

In our opinion, the accompanying balance sheet and statements of income, retained earnings and capital surplus present fairly the financial position of Electronic Communications, Inc. as of September 30, 1967, and the results of its operations for the periods indicated, in conformity with generally accepted accounting principles consistently applied during the periods, after giving retroactive effect to the restatement of extraordinary items in 1963, 1964 and 1965 as explained in Note 2 to the "Statements of Income."

ARTHUR ANDERSEN & Co.

Atlanta, Georgia,
October 23, 1967.

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ELECTRONIC COMMUNICATIONS, INC.

BALANCE SHEETS

ASSETS

	September 30, 1967	December 31, 1967 (Unaudited)
Current assets:		
Cash	\$ 1,368,256	\$ 419,874
Accounts receivable	319,727	388,329
Amounts receivable under defense contracts	5,042,229	8,575,723
Inventories, at the lower of average cost or market, less progress payments of \$2,183,321 at September 30 and \$3,392,714 at December 31 (Notes 4 and 5)	9,878,871	8,856,068
Prepaid expenses	481,298	485,712
Total current assets	<u>17,090,381</u>	<u>18,725,706</u>
Other assets:		
Investment in and advances to 50% owned company, at cost plus equity in net income since acquisition	<u>435,292</u>	<u>537,353</u>
Property, plant and equipment, at cost (Note 3):		
Land	385,397	385,397
Buildings	4,413,673	4,425,636
Machinery and equipment, etc.	8,051,059	8,198,999
	<u>12,850,129</u>	<u>13,010,032</u>
Less—Reserves for depreciation	6,558,386	6,732,525
	<u>6,291,743</u>	<u>6,277,507</u>
	<u>\$23,817,416</u>	<u>\$25,540,566</u>

The accompanying notes to financial statements are an integral part of these balance sheets.

ELECTRONIC COMMUNICATIONS INC.

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1967	December 31, 1967 (Unaudited)
Current liabilities:		
Notes payable to—		
Banks	\$ 500,000	\$ —
Other	79,842	79,842
Accounts payable	2,007,627	1,973,211
Accrued Federal income taxes	601,803	718,702
Accrued expenses—		
Salaries and wages	753,291	628,993
Pension	442,239	556,695
Taxes, other than income	172,509	97,935
Other	136,263	419,710
Installments on first mortgage notes payable within one year (Note 7)	222,991	227,396
Total current liabilities	4,916,565	4,702,484
Long-term debt:		
First mortgage notes payable in installments to 1970 (Note 7) ..	389,037	316,237
Notes payable under revolving bank credit agreement (Note 1)	4,000,000	5,500,000
Subordinated convertible debentures (Note 2)	1,460,000	1,431,000
	<u>5,849,037</u>	<u>7,247,237</u>
Contingent liabilities (Note 6)		
Stockholders' equity (Notes 1, 2, 8, and 11):		
6% cumulative convertible preferred stock, par value \$10 per share, authorized 200,000 shares, outstanding 27,991 shares at September 30 and 21,035 shares at December 31	279,910	210,350
Common stock, par value \$1 per share, authorized 2,000,000 shares, issued 857,984 shares at September 30, and 870,021 shares at December 31 (outstanding 832,137 shares at September 30 and 851,622 shares at December 31, after deducting shares held in treasury)	857,984	870,021
Capital surplus	6,915,023	7,027,347
Retained earnings	5,246,829	5,659,616
	13,299,746	13,767,334
Less—Common stock held in treasury, 25,847 shares at September 30 and 18,399 shares at December 31, at cost	247,932	176,489
	<u>13,051,814</u>	<u>13,590,845</u>
	<u><u>\$23,817,416</u></u>	<u><u>\$25,540,566</u></u>

The accompanying notes to financial statements are an integral part of these balance sheets.

ELECTRONIC COMMUNICATIONS, INC.

STATEMENTS OF RETAINED EARNINGS For the Periods Indicated

	Year Ended September 30,					Three Months Ended December 31, 1967 (Unaudited)
	1963	1964	1965	1966	1967	
Balance at beginning of period	\$3,150,002	\$2,843,128	\$3,210,302	\$4,475,569	\$5,367,356	\$5,246,829
Add (Deduct):						
Net income	307,056	537,389	1,428,009	1,057,872	1,226,152	458,523
Cash dividends—						
6% cumulative preferred stock at an annual rate of \$.60 per share..	(22,789)	(22,408)	(21,538)	(18,700)	(17,293)	(3,155)
Common stock at the quarterly rate of \$.05 per share commencing in August, 1963	(37,856)	(147,887)	(141,204)	(147,385)	(165,191)	(42,581)
Stock dividends—						
5% common stock dividend (35,986 shares at quoted market price of \$15.375 per share)	(553,285)	—	—	—	—	—
10% common stock dividend (77,613 shares at quoted market price of \$15.00 per share)	—	—	—	—	(1,164,195)	—
Balance at end of period	<u>\$2,843,128</u>	<u>\$3,210,302</u>	<u>\$4,475,569</u>	<u>\$5,367,356</u>	<u>\$5,246,829</u>	<u>\$5,659,616</u>

The accompanying notes to financial statements are an integral part of these statements.

ELECTRONIC COMMUNICATIONS, INC.

STATEMENTS OF CAPITAL SURPLUS For the Periods Indicated

	Year Ended September 30,					Three Months Ended December 31, 1967 (Unaudited)
	1963	1964	1965	1966	1967	
Balance at beginning of period	\$5,073,541	\$5,598,280	\$5,613,627	\$5,755,028	\$5,808,262	\$6,915,023
Add (Deduct):						
Par value of 6% cumulative convertible preferred stock in excess of par value of common stock issued on conversion (397, 1,656, 427, 5,011, 2,755, and 6,956 shares, respectively)	3,348	13,956	3,604	42,226	22,830	57,523
Amount by which the option price exceeded par value of shares of common stock sold under employee stock option plans (789 and 263 shares, respectively)	4,092	1,391	—	—	—	—
Net amount by which the option price exceeded (was less than) the cost of treasury common stock sold under employee stock option plans (7,600, 16,181, 14,026, and 7,448 shares, respectively)	—	—	2,707	11,008	(2,651)	54,801
Excess of quoted market over par value of common stock issued as stock dividends	517,299	—	—	—	1,086,582	—
Excess of quoted market over par value of common stock issued in connection with the merger of a former subsidiary	—	—	135,090	—	—	—
Balance at end of period	<u>\$5,598,280</u>	<u>\$5,613,627</u>	<u>\$5,755,028</u>	<u>\$5,808,262</u>	<u>\$6,915,023</u>	<u>\$7,027,347</u>

The accompanying notes to financial statements are an integral part of these statements.

ELECTRONIC COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

(Data with respect to the Three Months Ended December 31, 1967, have not been examined by Independent Public Accountants.)

1. Revolving Credit Agreement:

ECI has entered into a revolving credit agreement with certain banks which provides that the banks will lend up to an aggregate amount of \$8,000,000 outstanding at any one time, on 90-day renewable notes, to February 28, 1970.

The agreement provides that, except with the prior consent of the lenders, ECI shall not redeem any of its capital stock or pay cash dividends, except that such redemptions or dividends are permissible if the aggregate cost of the redemptions and dividends in any twelve consecutive month period does not exceed 50% of ECI's net earnings for the period.

2. Subordinated Convertible Debentures:

The subordinated convertible debentures mature November 30, 1971. The debentures are redeemable at the option of ECI at 102% of the principal amount to November 30, 1967, and at prices declining 1/4% each year thereafter. A sinking fund deposit is required on August 31 of each year in an amount equal to 10% of net earnings for the prior fiscal year less the principal amount of debentures redeemed. Each \$119.30 principal amount of debentures is convertible, at the option of the holders, into one share of ECI's common stock. At September 30, 1967, and December 31, 1967, 12,238 shares and 11,995 shares, respectively, of ECI's common stock were reserved for conversion of the outstanding debentures.

The original amount of debentures authorized under the indenture was \$2,000,000.

3. Property, Plant and Equipment:

ECI uses substantially the straight-line method of providing for depreciation of property, plant and equipment at annual rates applied to the cost of the assets. The estimated lives used in computing depreciation during the three years and three months ended December 31, 1967, were as follows:

	<u>Years</u>
Land improvements	10-20
Buildings	5-40
Machinery and equipment	3-14
Furniture and fixtures	3-20
Transportation equipment	3-8

The costs of maintenance and repairs of property, plant and equipment are charged to cost of production or expense as incurred. Costs of renewals and betterments are capitalized in the property accounts. When properties are replaced, retired, or otherwise disposed of, the cost of such properties and the accumulated depreciation are deducted from the asset and depreciation reserve accounts. The related profit or loss, if any, is recorded in the income account.

Additions and retirements of property, plant and equipment during the three months ended December 31, 1967, amounted to \$182,901 and \$22,998, respectively. Accumulated depreciation on assets retired during the same period totalled \$15,813. Total additions and deductions during the period were less than 10% of the closing balance.

4. Method of Profit Accrual:

Profits are recorded on defense contracts, prior to completion thereof, where, in the opinion of management, such profits can be reasonably estimated after taking into consideration the stage of contract completion and estimated final costs and prices.

ELECTRONIC COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

5. Inventories and Cost of Sales:

Inventories (substantially work in process) are stated at the lower of average cost or market. The amounts of the opening and closing inventories used in the computation of cost of sales for the three years and three months ended December 31, 1967, were as follows:

	Gross Amount	Progress Payments	Net Amount
September 30, 1964	\$ 6,476,028	\$ 591,464	\$ 5,884,564
September 30, 1965	10,648,356	2,846,869	7,801,487
September 30, 1966	18,203,822	7,417,245	10,786,577
September 30, 1967	12,062,192	2,183,321	9,878,871
December 31, 1967	12,248,782	3,392,714	8,856,068

6. Contingent Liabilities:

A substantial part of the sales are made under defense contracts subject to final price determination and statutory renegotiation. It is the opinion of management that final price determinations will have no adverse effect on the accompanying financial statements and that no refund of profits will be required under renegotiation.

7. First Mortgage Notes:

First mortgage notes consisted of the following at September 30, 1967, and December 31, 1967:

Interest Rate	Original Amount of Note	Balance Payable	
		September 30, 1967	December 31, 1967
6½%	\$1,600,000	\$428,944	\$373,663
5½%	550,000	183,084	169,970
		612,028	543,633
Less—Installments payable within one year		222,991	227,396
Long-term portion		<u>\$389,037</u>	<u>\$316,237</u>

The long-term portion is due as follows:

Fiscal Years Ending September 30 or December 31			
1969		\$237,207	\$241,897
1970		151,830	74,340
		<u>\$389,037</u>	<u>\$316,237</u>

8. Preferred Stock:

ECI's 6% cumulative convertible preferred stock (par, liquidation and redemption values \$10 per share) is convertible into common stock in a ratio of 1.7325 shares of common for each share of preferred. At September 30, 1967, and December 31, 1967, 48,494 shares and 36,444 shares, respectively, of ECI's common stock were reserved for conversion of the outstanding preferred stock. In May, 1968 ECI called for redemption on July 31, 1968, all of the outstanding preferred stock. At any time prior to July 31, 1968, such stock may be converted into common stock in the ratio set forth above.

ELECTRONIC COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

9. Retirement Plans:

ECI has established noncontributory retirement plans covering substantially all of its employees. The total pension expense for the three years and three months ended December 31, 1967 was \$153,000, \$353,000, \$442,239, and \$116,804, respectively, including prior service costs which are being funded over thirty-year periods from the date of the inception of the plans. The total unfunded prior service costs were approximately \$1,457,000 at September 30, 1967. Pension costs are funded currently. The actuarially computed value of vested benefits as of September 30, 1967, exceeded the total of the respective assets of such pension fund by approximately \$223,700 with respect to the plan which had such an excess.

10. Supplementary Profit and Loss Information:

The following items are included as deductions in the statements of income included herewith:

	Year ended September 30,			Three months ended
	1965	1966	1967	December 31, 1967
Maintenance and repairs:				
Charged to—				
Cost of sales	\$197,391	\$379,183	\$343,879	\$141,776
Other	16,886	40,488	40,531	21,027
	<u>\$214,277</u>	<u>\$419,671</u>	<u>\$384,410</u>	<u>\$162,803</u>
Depreciation of fixed assets:				
Charged to—				
Cost of sales	\$510,643	\$598,775	\$674,641	\$172,789
Other	80,384	84,680	71,127	17,163
	<u>\$591,027</u>	<u>\$683,455</u>	<u>\$745,768</u>	<u>\$189,952</u>
Taxes, other than income taxes:				
Payroll taxes	\$405,663	\$756,825	\$699,576	\$164,491
Real estate and personal property taxes	144,258	156,592	181,407	49,966
State franchise and sundry taxes	39,276	60,509	67,955	19,245
	<u>\$589,197</u>	<u>\$973,926</u>	<u>\$950,938</u>	<u>\$233,702</u>
Charged to—				
Cost of sales	\$501,820	\$861,105	\$834,980	\$302,591
Other	87,377	112,821	115,958	31,111
	<u>\$589,197</u>	<u>\$973,926</u>	<u>\$950,938</u>	<u>\$233,702</u>
Rents:				
Charged to—				
Cost of sales	\$159,698	\$179,347	\$197,641	\$ 34,616
Other	131,012	138,783	187,327	57,956
	<u>\$290,710</u>	<u>\$318,130</u>	<u>\$384,968</u>	<u>\$ 92,572</u>
Royalties	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Management and service contract fees	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

ELECTRONIC COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

II. Stock Options:

In January, 1965, the stockholders approved a qualified stock option plan. In January, 1967, the stockholders approved an amendment to the plan. As a result of this amendment options may be granted to selected executives and other key employees to purchase a maximum of 94,511 shares of common stock at not less than 100% of the fair market value at the date of grant. The options become exercisable at such times as the Board of Directors determines at the time the options are granted, and expire five years after the date of grant. Further information relating to this plan for the three years and three months ended December 31, 1967, is summarized below:

	<u>Number of Shares</u>	<u>Option Price</u>		<u>Market Value at Dates Granted</u>	
		<u>Per Share</u>	<u>Aggregate</u>	<u>Per Share</u>	<u>Aggregate</u>
OPTIONS OUTSTANDING:					
As of September 30, 1967:					
Granted during fiscal year—					
1965	8,060	\$8.99	\$ 72,459	\$8.99	\$ 72,459
1966	8,250	\$18.19 to \$22.85	156,690	\$17.73 to \$22.62	155,172
1967	12,500	\$20.00	250,000	\$20.00	250,000
	<u>28,810</u>		<u>\$ 479,149</u>		<u>\$ 477,631</u>

As of December 31, 1967:

Granted during fiscal year—					
1965	8,060	\$8.99	\$ 61,671	\$8.99	\$ 61,671
1966	5,500	\$18.53 and \$22.85	106,667	\$18.53 and \$22.62	106,414
1967	9,500	\$20.00	190,000	\$20.00	190,000
Granted during the three months ended December 31, 1967	13,500	\$24.69	333,315	\$24.69	333,315
	<u>35,560</u>		<u>\$ 691,653</u>		<u>\$ 691,400</u>

	Number of Shares	Option Price		Market Value at Dates Exercisable	
		Per Share	Aggregate	Per Share	Aggregate
OPTIONS WHICH BECAME EXERCISABLE:					
During fiscal year—					
1965	30,700	\$9.88	\$ 303,316	\$9.88	\$ 303,316
1966	7,500	\$20.00 to \$25.13	156,625	\$19.69 to \$25.13	155,594
1967	12,500	\$20.00	250,000	\$20.00	250,000
During the three months ended December 31, 1967	13,500	\$24.69	333,315	\$24.69	333,315
	<u>64,200</u>		<u>\$1,043,256</u>		<u>\$1,042,225</u>

ELECTRONIC COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

	Number of Shares	Option Price		Market Value at Dates Exercised	
		Per Share	Aggregate	Per Share	Aggregate
OPTIONS EXERCISED:					
During fiscal year—					
1965	4,600	\$9.88	\$ 45,448	\$11.50 to \$19.25	\$ 62,450
1966	10,100	\$9.88	99,788	\$18.38 to \$22.88	286,608
1967	9,510	\$8.99 to \$9.88	85,762	\$13.38 to \$27.13	192,730
During the three months ended December 31, 1967	6,850	\$8.99 to \$20.00	119,912	\$27.25 to \$30.25	194,944
	<u>31,060</u>		<u>\$ 350,910</u>		<u>\$ 655,724</u>

At September 30, 1967, and December 31, 1967, 70,301 shares and 63,451 shares, respectively, of ECI's common stock were reserved for issuance in connection with this plan.

In addition, an option which had been granted to an employee of a former subsidiary was exercised during fiscal year 1967 to purchase 550 shares at \$9.10 per share. The aggregate option price was \$5,005 and the aggregate market value at time of exercise was \$14,575.

ECI also has a restricted stock option plan, approved by the stockholders, for the purchase of common stock by selected executives and key employees; however, this plan was superseded by the adoption of the qualified stock option plan in 1965. Consequently, no further options can be granted under this plan. No options became exercisable under the plan during fiscal 1967. The option prices are 85% of the market prices of the common stock at the date of grant. Further information relating to this plan for the three years and three months ended December 31, 1967, is summarized below:

	Number of Shares	Option Price		Market Value at Dates Granted	
		Per Share	Aggregate	Per Share	Aggregate
OPTIONS OUTSTANDING:					
As of September 30, 1967:					
Granted during fiscal year—					
1961	232	\$14.00	\$ 3,248	\$16.46	\$ 3,819
1963	2,290	\$ 9.77	22,373	\$11.48	26,289
	<u>2,522</u>		<u>\$25,621</u>		<u>\$30,108</u>
As of December 31, 1967:					
Granted during fiscal year—					
1961	116	\$14.00	\$ 1,624	\$16.46	\$ 1,909
1963	1,808	\$ 9.77	17,664	\$11.48	20,756
	<u>1,924</u>		<u>\$19,288</u>		<u>\$22,665</u>

ELECTRONIC COMMUNICATIONS, INC.

NOTES TO FINANCIAL STATEMENTS—(Continued)

	Number of Shares	Option Price		Market Value at Dates Exercisable	
		Per Share	Aggregate	Per Share	Aggregate
OPTIONS WHICH BECAME EXERCISABLE:					
During fiscal year—					
1965	5,050	\$10.74 to \$15.39	\$ 61,934	\$8.38 to \$9.63	\$ 44,226
1966	2,867	\$10.74	30,792	\$17.88	\$1,262
	<u>7,917</u>		<u>\$ 92,726</u>		<u>\$ 45,488</u>

	Number of Shares	Option Price		Market Value at Dates Exercised	
		Per Share	Aggregate	Per Share	Aggregate
Options Exercised:					
During fiscal year—					
1965	3,000	\$10.74 to \$13.17	\$ 36,108	\$11.50 to \$18.00	\$ 49,918
1966	6,081	\$10.74 to \$15.39	79,708	\$17.50 to \$27.50	120,675
1967	3,966	\$9.77 to \$12.90	41,603	\$15.00 to \$26.75	78,640
During the three months ended December					
31, 1967	598	\$9.77 to \$14.00	6,333	\$23.38 to \$27.25	15,850
	<u>13,645</u>		<u>\$163,832</u>		<u>\$365,083</u>

At September 30, 1967, and December 31, 1967, 2,522 shares and 1,924 shares, respectively, of ECI's common stock were reserved for issuance in connection with this plan.

Certain of the foregoing information has been adjusted to reflect the effect of the 10% stock dividend in December, 1966.

No charges have been reflected in the income statement with respect to these options. When such options are exercised, ECI records the proceeds in excess of the par value of the shares (or of the cost of the treasury shares used to satisfy the options) as capital surplus.

INSPECTOR: Gerald W. Allen

LICENSEE: Standard Precision, Wichita

DATE OF INSPECTION: December 8, 1966

TYPE: Original

PERSONS ACCOMPANYING INSPECTOR: Jerome A. Halperin

LICENSE INSPECTED: 25-R061-01 (E 67)



PREVIOUS NC ITEMS CORRECTED

(Partial Compliance)

Past surveys, while not listing these items as noncompliance, noted that the contamination levels were excessive at the plant and that appropriate survey instruments and handling procedures had not been developed. Contamination levels have been developed, but are not being followed completely. A survey instrument has been obtained, but was not in proper operating order at the time of the inspection.

INSPECTION FINDINGS - INCLUDE NONCOMPLIANCE ITEMS

- (1) Outside door of the stripping room was not posted as a radiation area. Sec. 28-35-86 (B).
- (2) Waste can was not labeled. Sec. 28-35-86 (D).
- (3) The aisle in the storage area was not restricted; dose rates in this aisle are in excess of Sec. 28-55-81.
- (4) Contamination in the stripping room is still excessive. License Condition 14.
- (5) The hood duct contained significant quantities of radium-contaminated ash. Sec. 28-35-90.
- (6) Filters were being burned. Sec. 28-35-93.
- (7) Survey instruments were not in proper operating condition. License Condition 14.
- (8) Surveys were not being conducted as required by Condition 13.
- (9) Handling procedures for surplus instruments were not being adequately followed as required by License Condition 14.
- (10) The names of the users as listed on the license were incorrect. License Condition 1

INSPECTION RESULTS DISCUSSED WITH

C. L. Sawyer indicated that the following steps were to be taken to correct the items noted above:

- (1) The outside door of the stripping room will be posted with a sign similar to that used on the inside door.
- (2) The waste can will be adequately labeled.
- (3) The aisle in the storage area will be properly restricted and posted.

INSPECTOR: Gerald W. Allen

LICENSEE: Standard Precision, Wichita

DATE OF INSPECTION: December 8, 1966

TYPE: Original

PERSONS ACCOMPANYING INSPECTOR: Jerome A. Halperin

LICENSE INSPECTED: 25-R061-01 (E 67)

EXHIBIT

B

PREVIOUS NC ITEMS CORRECTED

(Partial Compliance)

Past surveys, while not listing these items as noncompliance, noted that the contamination levels were excessive at the plant and that appropriate survey instruments and handling procedures had not been developed. Contamination levels have been developed, but are not being followed completely. A survey instrument has been obtained, but was not in proper operating order at the time of the inspection.

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INSPECTION RESULTS DISCUSSED WITH

C. L. Sawyer indicated that the following steps were to be taken to correct the items noted above:

- (1) The outside door of the stripping room will be posted with a sign similar to that used on the inside door.
- (2) The waste can will be adequately labeled.
- (3) The aisle in the storage area will be properly restricted and posted.

- (4) The stripping room will be cleaned and a proper covering for the bench tops obtained.
- (5) Work is being started on a plan for cleaning out the flue and ducts of the hood.
- (6) Filters will no longer be burned.
- (7) The sludge gutter will be cleaned and no more filtrate allowed to accumulate in it.
- (8) The survey instrument is being returned to the manufacturer for repair. A reliable calibration set will be purchased. The survey schedule will be re-established at proper frequencies.
- (9) Handling procedures for surplus instruments will be properly followed.
- (10) The users' names are to be changed on the license.

A. ADMINISTRATION

<u>1. Persons Contacted</u>	<u>Title</u>	<u>Responsibility</u>
C.L. Sawyer	Chief, Quality Control	To report under license requirements.

2. Organization

(a) General

Standard Precision is a division of Electronic Communications, Inc. and the General Manager of Standard Precision, Mr. Charles Manhart, is a corporate vice president of the parent organization. Mr. Robert Bonnel is the assistant general manager and Mr. C.L. Sawyer is directly responsible for these two men. During the discussion of the administrative structure of the company, it was learned that Mr. Howard Chadd, the individual named on the license as supervisor of the use of radioactive materials, is no longer assigned that duty and had been transferred to another area in the company. It was also noted that Mr. H.W. Scudlow and Mr. Walter Kaczocha, the persons formally active in this area, had left the company prior to September 1, 1966.

(b) Isotopes Committee (members and function) - none required

3. Radiation Safety

Radiation Safety Officer (name-title-duty-authority)

Mr. C.L. Sawyer, Chief, Quality Control
 Supervises the radiation control program and has been actively engaged in this responsibility since October 31, 1966. Prior to his employment by Standard Precision, he had worked for 17 years at Garwin Industries.

4. Instruction of Personnel

Written procedures are required by the License Condition 14. These procedures include instructions on where the teardown and stripping operations are to be carried out, directions concerning how the teardown and stripping is to be

accomplished and special instructions concerning how the stripping solution is to be handled after it has been used to remove radium bearing paint from dials and pointers. These procedures were submitted January 8, 1966 and have not been changed since that date. These procedures have been distributed to the employees who are working with the radioactive materials.

It was noted by the inspectors that while the written procedures had not been changed, the actual handling procedures had been changed and included burning of used filter paper.

5. Procurement, Records of Receipt, Transfer
Description of procurement procedure

Instruments in quantities of 5, 10 or up to several hundred are received at one time in the stockroom. The instruments are usually government surplus which have been purchased from surplus dealers or by bid from the General Supply Agency. The bids are specific as to type and quality of the instruments, but no requirement is made as to the radioactive material contained.

Records are kept in a Kardex system which contains data such as the date of receipt, supplier, quality, accounting data and the type for each instrument. This system does not indicate whether the instruments contain radioactive dials, etc. The principal instruments purchased are air speed indicators and gyro horizons.

Comments: (procurement rate - quantity and date)

Examples of procurement rates, quantities and dates follows:

Purchased from July 1, 1966 to December 8, 1966 - 1,200 instruments of which 100 were air speed, a few were other instruments and the remainder were gyro horizons.

6. Inventory of Licensed Material

<u>Isotope</u>	<u>Quantity Licensed - Possessed</u>	<u>Form</u>
Ra-226	700-800 gyro horizons	Paint on instrument dials and hands

B. OPERATIONS, FACILITIES, INSTRUMENTATION (DESCRIPTIONS):

1. Use of Licensed Material

Licensed material is used only inasmuch as the radioactive material on surplus instrument dials and pointers is stripped off prior to repainting the instruments with non-radioactive materials and reassembling and repair of the instruments for resale.

2. Facilities and equipment

Facilities include one large Butler type building as shown in a sketch added to this report. Three specific areas are indicated as areas in which radioactive materials will be used. The first is the storage area which consists of a stockroom on a balcony at the rear of the building and is used for storage of intact instruments prior to teardown and stripping. This room consists of an aisle between two long rows of shelves; the shelves at the back are the only shelves used for storage of radioactive dials.

C. RADIOLOGICAL PRACTICES

1. Survey Program

a. Description of surveys (controlled and uncontrolled areas)

Biweekly surveys with the Ludlum meter had been carried out in January 1966 as required by the license. In the months following January, however, survey frequency was not maintained at the biweekly level. Survey records indicated at least partial surveys had been performed on the following dates: 3-11-66, 7-22-66, 7-26-66, 7-29-66, 8-1-66, 8-5-66, 8-8-66, 10-31-66 and no surveys have been conducted since 10-31-66. All surveys had been reported in terms of counts per minute rather than disintegrations per minute and no areas were defined in the survey.

b. Results (levels, etc.)

Results of the survey indicated levels from 0 cpm at many of the survey points to 3,000 cpm. The survey points that are consistently high were Nos. 1,2,4,5,6,7,8,10,18 & 19. Sample readings at these points were taken on 8-8-66:

1; 1,200 cpm; 2, 1,500 cpm; 3, 500 cpm; 4, 600 cpm; 5, 1,000 cpm.

2. Personnel Monitoring

Personnel monitoring by film badge or pocket dosimeter is not and never has been used by Standard Precision.

3. Waste Disposal

Description:

In the stripping room, a paint stripping solvent (Stanasol; Stoddard solvent) is used to strip the radioactive paint from the faces and hands of the radium painted dials. This radium contaminated solvent is then filtered by suction, the filtrate or supernate is washed down the drain into the sewers and the filters are burned and the ash collected for storage and disposal to a commercial waste disposal organization. No analysis had been run on the supernatant and there have been no disposals of the waste ash. The stripping solution before filtration is stored in a stainless steel can with a clasp top and the ash from the burned filters is stored in a one gallon bucket with no lid. There has been no disposal of waste licenses issued.

4. Leak Tests

Not required

D. MISCELLANEOUS

1. Incidents: None

2. Inspector's Survey Results:

From the map included in the report, the following area numbers and the following survey results are reported by the inspectors at the time of the inspection:

The second area is designated a teardown area. It is an area about 20 ft. by 20 ft. containing workbenches where the instruments are torn down. The area is not separated physically from the other parts of the plant and is designated administratively as semi-restricted. This area is used solely for the teardown of possibly radioactive dials and this is a sporadic procedure.

The third area is the stripping area and is the only completely restricted area. The entrance is limited to those persons working in the area. The connecting door to the remainder of the plant is posted adequately; however, the door to the yard outside the plant was not posted. The area designated as the stripping area contains two stainless steel work top benches, a hood, a work table and is used for storage of the radioactive waste in the solvent and dry forms.

3. Storage

Storage of the possibly radioactive dials is accomplished in the storage room described above. Storage of the radioactive materials stripped from the dials is accomplished in the stripping room in a stainless steel bucket with a snap top lid. After the solvent has been filtered, storage of the ash from the burned filters was accomplished in a second bucket that was not at the time of the inspection fitted with a lid. Neither of these buckets was adequately posted.

4. Restricted area, where and who controls?

The only completely restricted area at the time of the inspection was the stripping room which is controlled administratively by Mr. C.L. Sawyer. It was adequately posted on the door opening into the plant but was inadequately posted on the outside door.

5. Instrumentation (type-range-operable-calibration)

The only instrumentation available are Ludlum Model 12 with a 1.5 inch diameter probe and a civil defense Geiger counter. No calibration equipment was available for either of these instruments, except for three alpha check sources of nominal 250, 2,500 and 25,000 counts per minute (cpm) supplied by the Kansas State Department of Health. It appeared that the alpha instrument was not functioning properly at the time of the inspection and return to the manufacturer for repair was recommended.

6. Posting and labeling (include control devices)

- a. Area posting: The stripping area and the storage area are both posted as containing radioactive materials and entrance into the stripping area was restricted.
- b. Container labeling: Neither of the waste containers were labeled properly.
- c. Source tags: Not applicable

Fixed Contamination Survey With PAC-3G Alpha Meters

Results:

<u>Area Number</u>	<u>dpm/60 cm²</u>
1	200,000 +
2	50,000
3	16,000
4	5,000
5	20,000
	Bench Top
	(Left end) (center) (Right end)
	4,000 40,000 12,000
6	20,000-30,000
7	3,000
8	6,000
9	20,000
10	2,000-6,000
11	5,000-6,000
12	5,000
13	600
	500 (10 inches front door)
14	600
15	200 (30 inches front door)
16	12,000
17	40,000
18	12,000
19	1,000
20	600
21	400-1,000
	(one spot 15,000-18,000)

<u>Area Number</u>	<u>dpm/60 cm²</u>
22	800
23	400-1,000
24	800
25	800
26	500
27	800-1,000

Removable alpha contamination: Filter paper wipes counted in IPC

<u>Smear Number</u>	<u>Area Number</u>	<u>dpm/100 cm²</u>
12	21 at area of hot spot	44
14	" "	102
15	1	174
16	4	125
17	10	351
18	Stripping room work area at highest alpha count	275.0
19	Stripping room work area at highest alpha count	198
20	Inside of waste can	602.0
21	Inside of hood	1008.4 = 19.9/sample 16.2 dpm/mg or 16,200 dpm/gram

Air samples were taken at flow meter reading of 40 (equivalent to 3.06 l/min.) for 10 minutes through AA millipore filters with a Gelman battery powered pump, and counted immediately with the PAC-3G Eberline Alpha meter. Nothing over background was obtained from either of the air samples; one taken near the hood and one taken over the bench top in the stripping room.

The gamma levels at various locations in the plant, taken with a NUCOR CS-40A ionization chamber:

1. Stockroom aisle near the supply of gyro horizons - 2-5 mR/hr.
2. Middle of stripping room - 1 mR/hr.
3. Drain gutter " " - 5 mR/hr.
4. Sink area " " - 2 mR/hr.
5. Hood at top inside " - 60 mR/hr.
6. Hood working space " - 11 mR/hr.

Samples were collected of stripping solvent (A) and material in gutter (B)

Laboratory evaluation is as follows:

- A. 500 lambda sample of liquid dried and counted in IPC yielded gross alpha count of 740 dpm/ml.
- B. 428 mg. of solid dried and counted in IPC yielded a gross alpha count of 8.86 dpm/mg or 8,860 dpm/gram.

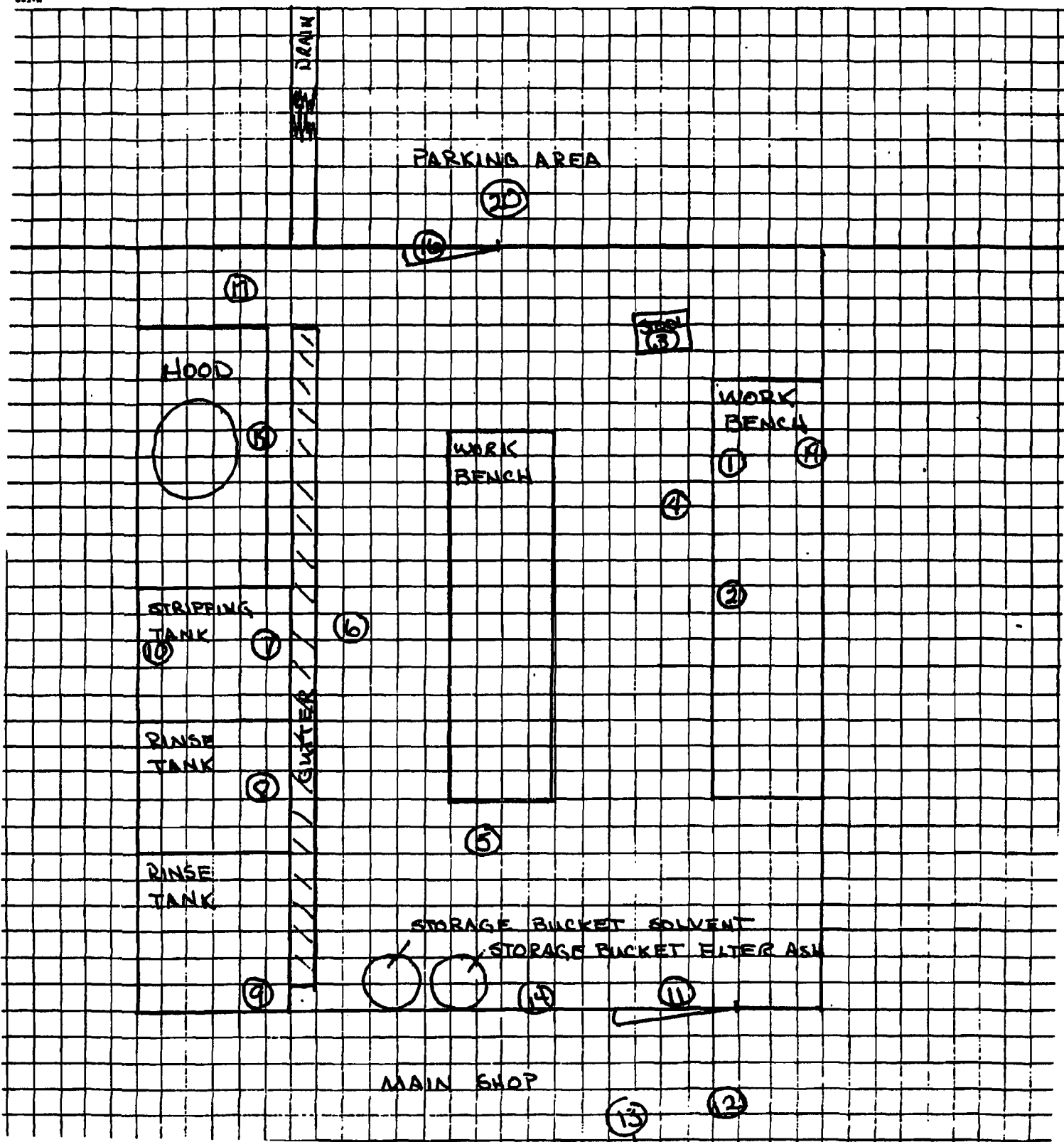
KANSAS STATE DEPARTMENT OF HEALTH
ENVIRONMENTAL HEALTH SERVICES

Subject Standard Precision Division Date December 8 1966

Maps showing survey points Stripping Area

Reviewed by _____ Checked _____ Sheet _____ of _____ Sheets

003-H



KANSAS STATE DEPARTMENT OF HEALTH
ENVIRONMENTAL HEALTH SERVICES

Subject _____ Date _____

TEAR DOWN AREA

Reviewed by _____ Checked _____ Sheet _____ of _____ Sheets

100-10

METAL BENCH

← (22) →

← (24) →

WORK BENCH

← (21) →

← (23) →

WORK BENCH

← (27) →

WORK BENCH

(25)

(26)
↓

KANSAS STATE DEPARTMENT OF HEALTH
ENVIRONMENTAL HEALTH SERVICES

Subject _____ Date _____

STORAGE AREA

Reviewed by _____ Checked _____ Sheet _____ of _____ Sheets

002-B

RADIOACTIVE DIAL
STORAGE BINS

RADIOACTIVE DIAL
STORAGE BINS

SHELVING

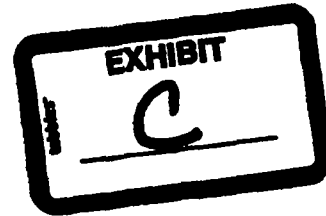
SHELVING

SHELVING

SHELVING

DESK

State Department of Health
Topeka



MEMORANDUM

Date February 2, 1967

To: File

From: Jerome A. Halperin, Chief, Radiological Health Section *JAH*

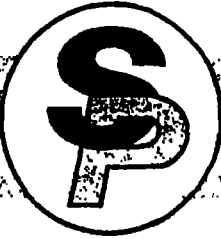
Subject: Telephone Call to Mr. C.L. Sawyer of Friday, January 27, 1967

On Friday January 27, I contacted Mr. C.L. Sawyer and indicated to him that this Department has recently received a proposal from the Eberline Instrument Corporation of Santa Fe, New Mexico with regard to the studying and decontamination of a radium dial stripping company in Kansas as part of a research project under contract with the U.S. Public Health Service, National Center for Radiological Health.

In that we had just sent a requirement letter to Standard Precision advising Sawyer of the findings of our inspection made in December 1966, I felt it necessary to request Mr. Sawyer not to perform any decontamination until we had recontacted him in regard as to whether Standard Precision had been selected as the target company for study under PHS contract.

JAH:re

FEB 17 1967



STANDARD PRECISION DIVISION

Electronic Communications, Inc.

4108 WEST PAWNEE • BOX 1297 • WICHITA, KANSAS 67201 • WHItchell 2-3241 • TELEX 41-716

- ELECTRONIC EQUIPMENT
- INSTRUMENTATION
- ELECTRO-MECHANICAL EQUIPMENT

February 17, 1967



Mr. Jerome A. Halperin
Environmental Health Services
Kansas State Department of Health
Topeka, Kansas

Dear Mr. Halperin,

This letter will confirm our interest in the proposed decontamination program you outlined to Mr. Sawyer via telephone. We understand a meeting will be scheduled to discuss the proposal details and establish the ground rules of the program.

This proposal is understood to consist of a survey to determine the level of contamination and flow of the instruments containing the contaminate followed by actual decontamination processes. Included in the program are ingestion examinations and tests of employees, present and past, that handled the disassembly-cleaning operations of the referenced instruments. Concluding will be consultations with Standard Precision control personnel relative to methods and procedures to maintain safe radiation levels.

We are cognizant of the disposal responsibilities and the storage requirements prior to disposal relative to the contaminate collected.

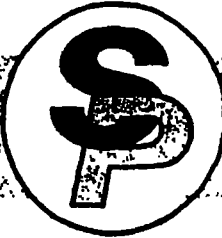
Please proceed with the planning of the discussion meeting which we understand will include you and a representative of the Eberline Instrument Corporation, the participating firm. Also, please keep us informed so that we may arrive at a mutually satisfactory date for subject meeting.

Very truly yours,

W. E. Gene Hill

W. E. (Gene) Hill
Quality Control Manager
mkl

FEB 17 1967



STANDARD PRECISION DIVISION

Electronic Communications, Inc.

4105 WEST PAWNEE • BOX 1297 • WICHITA, KANSAS 67201 • WHItEhAll 2-3241 • TELEX 41-716

- ELECTRONIC EQUIPMENT
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Very truly yours,

W. E. Gene Hill

W. E. (Gene) Hill
Quality Control Manager
mkl



July 11, 1967

KI-19120

Mr. W. E. Hill
Quality Control Manager
Standard Precision Division
Electronics Communications, Inc.
1105 West Kansas, Box 1297
Wichita, Kansas



Dear Gene:

All areas of your facility have been determined to be acceptable to the Kansas State Department of Health except the drain line, hold tank and other items as noted on the enclosed list entitled "Items still contaminated above 2500 dpm/100cm² and above 100,000 dpm/cm² ion." A procedure for cleaning the hold tank, drain line, etc. is enclosed.

A list of solid radioactive waste which we have stored in the barricaded area is enclosed. A copy of the letter I received from Nuclear Engineering in Moorehead, Kentucky is enclosed for your information. You must work out details for disposal of this waste that will be acceptable to the Kansas State Health Department. If the material is shipped interstate, you must also comply with the regulations of the U. S. Department of Transportation. I gave you a copy of their regulations and will be happy to advise you concerning this if you are not successful in obtaining approval for disposal within the State of Kansas.

Mr. W. E. Hill

Page -2-

July 11, 1967

A simple control program that we recommend for your facility is enclosed.

The information you need for your new license application is listed by item number on the application blank. The related information you need to answer the letter of non-compliance is also enclosed.

Please continue to wear film badges, take air samples etc. as outlined previously until further notice. Take a source reading each time you change samples so I can use this as a time mark on the chart as well as for calibration purposes. Send me the urine samples as soon as possible so we can complete this phase of our program.

Call me if you have any questions about all of this. We thoroughly appreciate your cooperation.

Very truly yours,

KENELINE INSTRUMENT CORPORATION

Eric L. Geiger, Manager
Department of Radiochemistry

EIG/ala

Enclosures

cc: Mr. Jerome Halperin, Kansas State Dept. of Health, Topeka, Kansas

WT



THE NATIONAL CASH REGISTER COMPANY

ELECTRONIC COMMUNICATIONS, INC.

EXCHANGE OFFER

Agreement

Dated as of May 20, 1968

THE NATIONAL CASH REGISTER COMPANY

ELECTRONIC COMMUNICATIONS, INC.

EXCHANGE OFFER

AGREEMENT, dated as of May 20, 1968, between The National Cash Register Company, a Maryland corporation ("NOR") and Electronic Communications, Inc., a New Jersey corporation ("ECI"):

WHEREAS, NOR wishes to obtain not less than 80% of the outstanding Common Stock of ECI in exchange for shares of Common Stock of NOR at the rate of one share of Common Stock of NOR for each two shares of Common Stock of ECI, such exchange to be effected by NOR through an exchange offer made directly to the holders of Common Stock of ECI (the "Exchange Offer");

WHEREAS, the Board of Directors of ECI at a meeting thereof held April 1, 1968, by unanimous vote approved the Exchange Offer, subject to certain conditions, and voted to recommend to the holders of Common Stock of ECI that they exchange their shares of ECI's Common Stock for shares of NOR's Common Stock in accordance with the terms of the Exchange Offer; and

WHEREAS, ECI wishes to cooperate with NOR in effecting the Exchange Offer;

NOW, THEREFORE, in consideration of the foregoing and subject to the terms and conditions hereinafter set forth, the parties hereto agree as follows:

I

1.1. The term "Expiration Date" as used herein shall mean the 30th day after the commencement of the Exchange Offer or such later date, not later than the 60th day after such commencement, as NOR shall designate as the Expiration Date of the Exchange Offer.

1.2. The term "Closing Date" as used herein shall mean the tenth business day next succeeding the Expiration Date.

II

ECI agrees as follows:

2.1. Prior to the Closing Date, it will not engage in any transaction other than transactions in the ordinary course of business except that it may (i) sell

the assets of its Benson Manufacturing Division for either cash in an amount, before deducting expenses and commissions, not less than the net book value of such assets or such other consideration as may be satisfactory to NOR; (ii) pay regular quarterly cash dividends not in excess of \$0.05 per share on its outstanding shares of Common Stock and not in excess of \$0.15 per share on its 6% Cumulative Convertible Preferred Stock; (iii) call for redemption all of its outstanding shares of 6% Cumulative Convertible Preferred Stock; (iv) purchase or call for redemption for the Sinking Fund the Convertible Subordinated Debentures of The Benson Manufacturing Company (the "Benson Debentures") assumed by ECI and (v) pay its expenses (including the fees of its counsel and independent public accountants) in connection with the negotiation and preparation of this Agreement, the registration statement on Form S-1 referred to below, the Exchange Offer and the transactions contemplated thereby.

2.2. ECI will not, prior to the Closing Date, declare or pay any stock dividends or split or otherwise subdivide or reclassify its outstanding shares of Common Stock, or issue, or deliver from its treasury, any shares of such Common Stock except upon conversion of its 6% Cumulative Convertible Preferred Stock or upon conversion of the Benson Debentures or upon exercise of outstanding stock options, or issue, or deliver from its treasury, any shares of its 6% Cumulative Convertible Preferred Stock, and prior to that date, ECI will not grant any additional options to purchase shares of its stock pursuant to its Restricted or Qualified Stock Option Plans or otherwise.

2.3. ECI will cause its officers, employees, agents, accountants and counsel to cooperate with NOR in such reasonable investigation as NOR shall deem necessary of the business, properties and records of ECI and in the preparation of the registration statement on Form S-1 referred to below and will supply NOR with such additional information and material as it may reasonably require in connection with the Exchange Offer, including a letter to accompany the Exchange Offer and to be addressed to the holders of Common Stock of ECI, in form satisfactory to NOR, recommending to such holders the acceptance of the Exchange Offer, such letter to be signed by the Chairman of the Board and the President of ECI by order of the Board of Directors.

2.4. Between the date of this Agreement and the Closing Date, ECI will not entertain, recommend or negotiate in respect of, any other exchange offer or any plan of merger, consolidation, sale of assets (other than the assets of the Benson Manufacturing Division) or other similar corporate reorganization.

2.5. Not less than twenty full business days preceding the Closing Date, ECI will deliver to NOR a list of all officers and employees holding outstanding

options to purchase Common Stock from EOI in sufficient detail to permit NOR to prepare for delivery at the closing on the Closing Date substituted stock options as contemplated in Section 3.5 hereof.

III

NOR agrees as follows:

3.1. To proceed to prepare and file with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933 covering the shares of its Common Stock to be offered to the holders of Common Stock of EOI pursuant to the Exchange Offer and to use its best efforts to cause such registration statement to be ordered effective.

3.2. As promptly as practicable after the said registration statement has become effective, to offer to the holders of all of the outstanding Common Stock of EOI to exchange Common Stock of NOR for their shares of Common Stock of EOI in accordance with the terms of the Exchange Offer, such offer to be made in such manner as will, in the opinion of counsel for EOI, qualify the acquisition of shares of Common Stock of EOI by NOR as a tax-free reorganization pursuant to Section 368(a)(1)(B) of the Internal Revenue Code of 1954, as amended.

3.3. In the event that the outstanding shares of NOR's Common Stock are at any time after April 1, 1968 changed in number or class by reason of a split-up, merger, consolidation or recapitalization or by reason of the payment of a stock dividend, to adjust proportionately the exchange ratio under the Exchange Offer to reflect such action.

3.4. Provided the Exchange Offer is consummated as herein contemplated, upon the request of any former stockholder of EOI who may, in the event such stockholder wishes to dispose of his shares of Common Stock of NOR, be deemed to be an "underwriter" as defined in Section 2(11) of the Securities Act of 1933, to amend or supplement the said registration statement and related prospectus (the "Prospectus") at NOR's expense so as to permit its use by such stockholder in effecting sales of Common Stock of NOR; provided, however, that the obligation of NOR to so amend or supplement the said registration statement and the Prospectus shall expire and terminate twenty-four months after the Closing Date; and provided, further, that after the Closing Date NOR shall be obligated to amend or supplement the said registration statement no more than once in each of the two twelve-month periods ending on the first and second anniversary dates thereof, unless the requesting

stockholder shall agree to pay the expenses of NOR in connection with the preparation and filing of such amendment or supplement.

3.5. At the closing on the Closing Date, to deliver, to the holders of outstanding stock options granted by EOI to its employees under EOI's Restricted and Qualified Stock Option Plans, upon cancellation of their said options to purchase shares of Common Stock of EOI, substituted stock options (in amounts and at prices equivalent to the Exchange Offer) to purchase shares of NOR's Common Stock, which options shall, in the opinion of counsel for EOI, have terms which meet the requirements of Section 425(a) of the Internal Revenue Code of 1954, as amended, and as promptly as practicable after the Closing Date to prepare and file a registration statement on Form S-8 under the Securities Act of 1933 covering the shares of NOR's Common Stock subject to such options.

3.6. That it shall be obligated to accept for exchange at the ratio provided herein all of the shares of Common Stock of EOI tendered in response to the Exchange Offer prior to the Expiration Date when certificates for 711,986 shares of EOI Common Stock, plus 80% of any additional shares of such Common Stock issued after April 30, 1968 upon conversion of the Benson Debentures or upon exercise of outstanding stock options, have been deposited by the holders thereof with the Exchange Agent.

IV

The obligations of EOI hereunder are subject to the fulfillment of the following conditions:

4.1. Between the date of this Agreement and the Closing Date, (i) NOR shall have performed or complied with all of its agreements and obligations to be performed or complied with hereunder on or before the Closing Date; (ii) there shall have been no material adverse change in the condition of NOR, financial or otherwise, since the date of the Consolidated Statement of Financial Position contained in the Prospectus; (iii) the shares of NOR's Common Stock to be delivered to EOI stockholders pursuant to the Exchange Offer and to be subject to the options referred to in Section 3.5 above will be approved for listing on the New York Stock Exchange on notice of issue; and (iv) EOI shall be furnished with a certificate of NOR, signed and verified by its President or a Vice-President and its Secretary or an Assistant Secretary, dated the Closing Date, certifying on information and belief as to the fulfillment of the conditions specified in (i), (ii) and (iii) above.

4.2. The shares of NOR's Common Stock to be delivered to the holders of Common Stock of EOI pursuant to the Exchange Offer when so delivered will

have been duly authorized, validly issued, fully paid and non-assessable, and ECI shall have received an opinion of Shearman & Sterling in form and substance satisfactory to ECI and its counsel dated the Closing Date to such effect.

4.3. Between April 1, 1968 and the beginning of the Exchange Offer there shall have been no change in the market price of NOR's Common Stock (as reported by the New York Stock Exchange) which in the opinion of a majority of ECI's Board of Directors is materially adverse to the holders of Common Stock of ECI.

4.4. On or before the Closing Date, ECI shall have received from the Internal Revenue Service a tax ruling satisfactory to Messrs. Ballard, Spahr, Andrews & Ingersoll, counsel for ECI, to the effect that the exchange of stock contemplated by the Exchange Offer will qualify as a tax free reorganization within the meaning of Section 368(a)(1)(B) of the Internal Revenue Code of 1954, as amended.

4.5. Prior to the beginning of the Exchange Offer, ECI shall have received from NOR its investment representation in respect of the shares of Common Stock of ECI which NOR will acquire as a result of the Exchange Offer.

✓ 4.6. Prior to the beginning of the Exchange Offer, ECI shall have received a letter from Price Waterhouse & Co., stating in effect that on the basis of a reading of the latest available unaudited interim financial statements prepared by NOR (which reading does not constitute an examination in accordance with generally accepted auditing standards), and consultations with officers of NOR responsible for financial and accounting matters, nothing has come to their attention which would cause them to believe that during the period from December 31, 1967 to a specified date within five days of the beginning of the Exchange Offer there was any material adverse change in the financial position of NOR from that set forth in the balance sheet as of December 31, 1967 or any material adverse change in the results of operations as compared with the corresponding period in the preceding year, except in all instances as set forth in or contemplated by the registration statement referred to above and the Prospectus or as occasioned by the declaration or payment of dividends.

V

The consummation of the Exchange Offer on the Closing Date is subject to the satisfaction on or before such date of each of the following conditions precedent, all of which are provided for the benefit of NOR and any of which, other than the condition contained in Section 5.19 hereof, may be waived by it in whole or in part:

✓ 5.1. On the Closing Date, EOI shall be a corporation duly organized and existing in good standing under the laws of the State of New Jersey, and qualified to transact business as a foreign corporation in the states of California, Florida, Georgia, Illinois, Kansas, Maryland, Missouri, Ohio and Texas; its authorized, issued and outstanding capital stock shall be as stated in the latest balance sheet of EOI (the "Balance Sheet") included in the Prospectus (except that the number of issued and outstanding shares of Common Stock of EOI may be increased by the exercise of stock options and as a result of conversions of the Benson Debentures and its 6% Cumulative Convertible Preferred Stock up to an aggregate of 85,728 shares of Common Stock) and all of its issued and outstanding shares of Common Stock shall be duly authorized, validly issued, fully paid and non-assessable.

5.2. On the Closing Date, EOI shall have performed or complied with all of its agreements and obligations to be performed or complied with hereunder.

5.3. On the Closing Date, EOI shall have no material liabilities or obligations of any nature, whether absolute, accrued, contingent or otherwise, except those disclosed in writing to NOR prior to the date hereof or as contemplated by this Agreement and except (i) liabilities as reflected in the Balance Sheet and the notes thereto, and changes with respect to liabilities as may have occurred since the date of the Balance Sheet, none of which changes shall have been materially adverse; (ii) liabilities arising out of purchase orders or commitments arising in the ordinary course of business, including liabilities with respect to capital additions, repairs or replacements, and other programs and projects which have been authorized by the Board of Directors on or before April 1, 1968; (iii) liabilities under contracts, agreements, leases and licenses entered into with respect to expenditures, programs and projects authorized on or before April 1, 1968, by the Board of Directors of EOI or by officers acting pursuant to its authority; (iv) liabilities under leases entered into on or before April 1, 1968, and under leases entered into thereafter in the ordinary course of business; and (v) liabilities under EOI's revolving credit agreement with certain banks not in excess of \$8,000,000, unless consented to by NOR.

✓ 5.4. Prior to the beginning of the Exchange Offer, NOR shall have been furnished with a schedule of all contracts and agreements (other than contracts and purchase orders in the ordinary course of business); leases and licenses to which EOI is a party or is the licensee as of the date of the Balance Sheet; and on the Closing Date EOI shall not be a party to or the licensee under any contract, agreement, lease or license other than those reflected in such schedule, except contracts (including capital expansion and improvement contracts),

agreements, leases and licenses made or entered into after the date of the Balance Sheet in the ordinary course of business, none of which is a burdensome contract, agreement, lease or license materially adversely affecting its business, operations or financial condition; and to the knowledge of EOI's officers each contract, agreement, lease or license to which EOI is a party or under which it is the licensee and which has not been fully performed in accordance with its terms shall be valid and enforceable. Included in the schedule shall be a list and summary description of all patents, patent applications, trademarks, trade names and copyrights owned, held or used by EOI or, in the opinion of the officers of EOI, required to enable it to conduct its business as presently conducted, and on the Closing Date the same shall be valid and in good standing and owned by EOI.

- ✓ 5.5. Prior to the beginning of the Exchange Offer NOR shall have been furnished with a schedule setting forth a summary description of the plants and all other property owned or leased by EOI as of the date of the Balance Sheet; and on the Closing Date EOI shall have good and merchantable title to all the real property owned by it, described in such schedule, and all other property and assets reflected in the Balance Sheet (other than property and assets disposed of after the date of the Balance Sheet in the ordinary course of business or as contemplated by this Agreement), free and clear of all liens and encumbrances other than as reflected in the Balance Sheet and the notes thereto or in such schedule but subject to: (i) such minor imperfections of title and encumbrances as are found in properties of similar character, public ways, easements for power and utilities transmission, railroad rights of way, and other encumbrances, restrictions and easements, rights and licenses which may be outstanding, which do not in the aggregate materially detract from the value of such property or assets or materially interfere with the present and continued use thereof in the normal conduct of the business conducted thereon and thereby; (ii) liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, and (iii) other liens, charges and encumbrances incidental to the conduct of the business of EOI or its ownership of its properties and assets which were incurred in the ordinary course of business and not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of EOI; and on the Closing Date NOR shall have been furnished with a certificate, signed by the President or a Vice-President of EOI (based on his information and belief), dated the Closing Date, to the effect that EOI has good and merchantable title to substantially all its properties, subject to the exceptions referred to in clauses (i), (ii)
- ECI
✓

and (iii) of this Section and that there have been no material adverse claims against such properties. "Merchantable title" as such term is employed herein means such fee title as is ordinarily required by a reasonable purchaser of like property, subject as aforesaid.

✓ 5.6. On the Closing Date, the plants, warehouses, machinery and equipment of EOI shall be in good operating condition, free of any defects except such minor defects as do not and will not substantially interfere with the continued use thereof in the conduct of normal operations, and the business and properties of EOI shall not have been adversely affected in any substantial way as the result of any fire, explosion, accident, flood, strike, walkout, combination of workmen, war in which the United States is a combatant, or act of God.

✓ 5.7. Prior to the beginning of the Exchange Offer, NOR shall have been furnished with a schedule setting forth a summary description of all policies of fire, liability and other forms of insurance held by EOI on its properties and assets; and on the Closing Date such policies or other policies in comparable amounts and scope of coverage shall be duly in force.

✓ 5.8. On the Closing Date, EOI shall have filed all United States income tax returns which, to the knowledge of its officers, are required to be filed, and EOI shall have paid all taxes as shown on such returns and on all assessments received by it to the extent that such taxes have become due; the United States income tax returns of EOI shall have been audited by the Internal Revenue Service and all liabilities shown by such audits satisfied for all fiscal years prior to and including the fiscal year ended September 30, 1964; and, except as may be disclosed to NOR prior to the signing of this Agreement, the provision for accrued income taxes in the Balance Sheet shall be adequate, to the extent required by generally accepted accounting principles, to provide for all known contingencies.

5.9. On the Closing Date, substantially all the accounts receivable of EOI as reflected in its books of account on that date shall all be valid and collectible substantially in the net amounts therein set forth.

✓ 5.10. On the Closing Date there shall be no litigation before any court or proceedings before any federal, state or other governmental commission, board or other agency, pending or to the knowledge of EOI's officers threatened against or affecting EOI or in which EOI is or may be a party or of which any property of EOI is or may be the subject, which may result in any material adverse change in the business or property of EOI, and NOR shall have been furnished by EOI prior to the commencement of the Exchange Offer with a list of all actions, suits, and proceedings (if any) which are then pending or threatened against EOI, and on the Closing Date a supplemental list of any

additional actions, suits or proceedings which may be pending or to the knowledge of EOI's officers threatened against EOI on the Closing Date, both such lists to be certified on information and belief by the President or a Vice-President of EOI.

On the Closing Date there shall not be any pending or threatened litigation in any court or any proceeding by any governmental commission, board or agency, with a view to seeking or in which it is sought to restrain or prohibit consummation of the Exchange Offer or in which it is sought to obtain divestiture, rescission or damages in connection with this Agreement or the consummation of the Exchange Offer, and no investigation by any governmental agency shall be pending or threatened which might eventuate in any such suit, action or other proceeding.

5.11. Since the date of the Balance Sheet and up to and including the Closing Date, EOI shall not have (i) issued or sold any stock, bond or other corporate security issued by it or incurred indebtedness for money borrowed, other than shares of Common Stock issued pursuant to stock options or upon conversions of the Benson Debentures or the 6% Cumulative Convertible Preferred Stock and other than indebtedness evidenced by notes in the aggregate principal amount of not more than \$8,000,000 issued in connection with borrowing under its revolving credit agreement with certain banks, or paid any dividend or made any distribution to its stockholders, other than regular quarterly dividends of \$0.05 per share on its Common Stock and regular dividends at the rate of 6% per annum per share on its 6% Cumulative Convertible Preferred Stock (\$10 par) and payment of the redemption price of any shares of its 6% Cumulative Convertible Preferred Stock which EOI may have called for redemption; (ii) discharged any obligation or liability incurred other than in the ordinary course of business or as contemplated by this Agreement; (iii) mortgaged or pledged or, except in the ordinary course of business, subjected to lien or other encumbrance any of its property or assets, other than liens and encumbrances incidental to the conduct of its business or the ownership of its property and assets and not incurred in connection with the borrowing of money or the obtaining of advances or credit and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business; (iv) increased the rate of compensation to or to become payable to any of its officers, employees or agents, other than increases in the ordinary course of business, or amended, modified or altered any pension, compensation or profit-sharing plan so as to increase its benefits or the cost thereof to EOI other than amendments, modifications and alterations resulting from negotiations with unions representing employees of EOI; (v) granted any options to purchase shares

of its Common Stock, or (vi) effected any change in its certificate of incorporation or by-laws except in connection with the redemption of its 6% Cumulative Convertible Preferred Stock.

5.12. On the Closing Date, there shall have been no material adverse change in the financial condition or assets of EOI from those set forth in the Balance Sheet; EOI shall not be in default, regardless of any grace period, with respect to any material contract, agreement or other instrument to which it is a party or by which it is bound, and EOI shall not have suffered any material loss, damage or destruction of any of its property or assets which is not fully covered by insurance and which might materially and adversely affect its business or operations.

ECI ✓
5.13. On the Closing Date, NOR shall have been furnished with a certificate of EOI, signed and verified by its President and its Secretary, dated the Closing Date, certifying on information and belief and in such detail as NOR may reasonably require, as to the fulfillment of the conditions specified in Sections 5.1 to 5.4 and 5.6 to 5.12, inclusive, of this Article V, and to the effect that to their knowledge there are no claims against EOI for finders fees or brokerage or other commissions payable in connection with the consummation of the transactions contemplated by this Agreement.

ECI ✓
5.14. NOR shall have received from Messrs. Ballard, Spahr, Andrews & Ingersoll of Philadelphia, an opinion, dated the Closing Date, in form and substance satisfactory to it and to its counsel, covering the matters referred to in Section 5.1 of this Article V.

ECI ✓
5.15. NOR shall have received opinions or title reports, dated the Closing Date, in form and substance satisfactory to it and to its counsel, to the effect that EOI on the Closing Date had good and marketable title to the real property reflected in the Balance Sheet and any real property acquired since the date thereof free and clear of all liens and encumbrances as stated in Section 5.5, subject only to the exceptions mentioned in the said Section 5.5.

SEC telegram
5.16. On the Closing Date, a registration statement under the Securities Act of 1933, as amended, covering the shares of Common Stock offered pursuant to the Exchange Offer shall be effective and no proceedings shall have been instituted or threatened by the Securities and Exchange Commission for the purpose of suspending the effectiveness of such registration statement.

5.17. On the Closing Date, the shares of NOR's Common Stock offered pursuant to the Exchange Offer shall have been authorized to be listed on the New York Stock Exchange upon official notice of issuance.

ECI ✓
5.18. On or prior to the Closing Date NOR shall have received a letter from Arthur Andersen & Co. stating in effect that on the basis of a reading

of the latest available unaudited interim financial statements prepared by EOI (which reading does not constitute an examination in accordance with generally accepted auditing standards), and consultations with officers of EOI responsible for financial and accounting matters, nothing has come to their attention which causes them to believe that during the period from September 30, 1967 to a specified date within five days of the Closing Date there was any material adverse change in the financial position of EOI from that set forth in the balance sheet as of September 30, 1967, included in the Prospectus, or any material adverse change in the results of operations as compared with the corresponding period in the preceding year, except in all instances as set forth in or contemplated by the registration statement referred to above and the Prospectus or as occasioned by the declaration or payment of dividends.

ECI

5.19. On the Closing Date, there shall have been deposited with the Exchange Agent certificates for not less than 711,996 shares of EOI Common Stock, plus 80% of any additional shares of such Common Stock issued after April 30, 1968 upon conversion of the Benson Debentures or upon exercise of outstanding stock options.

5.20. On the Closing Date, EOI shall have delivered to NOR instruments in writing signed by each director, officer and employee holding outstanding stock options granted by EOI to the effect that such option or options shall be cancelled upon receipt from NOR of substituted stock options for shares of Common Stock of NOR.

ECI
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5.21. On the Closing Date, EOI shall have no active subsidiaries, but will own one-half of the equity securities of Scott Electronics Corporation.

5.22. At the Closing Date, there shall have been delivered to NOR the resignations of all of the directors of EOI expressed to take effect at the pleasure of NOR.

5.23. On or before the Closing Date NOR shall have received from such principal stockholders and stockholders who are officers, directors or employees of EOI as NOR shall designate a reasonable time prior to the Closing Date agreements to the effect that they will not, for a period of 24 months following the Closing Date, sell or otherwise dispose of any of the shares of Common Stock of NOR received by them pursuant to the Exchange Offer unless the manner of sale or disposition has been approved by counsel satisfactory to NOR.

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ECI

VI

6.1. If, on the Closing Date, NOR shall notify EOI in writing, signed by NOR's President or one of its Vice-Presidents, that one or more of the conditions described in Article V has not been fulfilled and that NOR elects to

terminate the Exchange Offer, EOI shall notify the exchange agent which shall forthwith transmit to the respective depositing stockholders of EOI appropriate notice to such effect and shall at the same time return to them all stock certificates and related documents which have been deposited with the exchange agent by them, respectively; and thereupon the Exchange Offer shall terminate. If NOR does not so notify EOI, all conditions so described shall be deemed to have been fulfilled or waived.

6.2. If the closing is not consummated for any reason, neither of the parties shall have any liability to the other in connection with this Agreement or the transactions contemplated hereby for costs, expenses, loss of anticipated profits or otherwise.

6.3. This Agreement has been made and is made solely to facilitate the Exchange Offer referred to herein and shall inure only to the benefit of and be binding upon the parties hereto. No other person, firm or corporation shall have any right or obligation hereunder, except that the stockholders of EOI referred to in Section 3.4 may enforce the provisions thereof against NOR.

6.4. This Agreement may be amended or modified at any time or from time to time by the mutual consent of the Presidents of the parties hereto acting under advice of counsel in such manner as may be agreed upon in writing; provided, however, that no such amendment or modification shall change the exchange ratio of one share of Common Stock of NOR for each two shares of Common Stock of EOI and provided further that no such amendment or modification shall be made which in the opinion of EOI shall materially adversely affect the rights of the holders of Common Stock of EOI.

6.5. Either party may terminate this Agreement at any time after December 31, 1968 by written notice to the other if the offer referred to in Section 3.2 above has not been made on or prior to that date.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this Agreement as of the date first above written.

**THE NATIONAL CASH REGISTER
COMPANY**

By **JAMES E. RAMBO**
Vice President

ELECTRONIC COMMUNICATIONS, INC.

By **S. W. BISHOP**
President

September 17, 1968

The National Cash Register Company announced today that its exchange offer to the holders of Common Stock of Electronic Communications, Inc. was consummated today and that at the time of closing, the exchange agent had received 847,114 shares (approximately 95.2% of the outstanding) of Common Stock of Electronic Communications, Inc. for exchange at the rate of one (1) share of Common Stock of NCR for each two (2) shares of ECI.

NCR advised that it would, for a limited period, continue to accept tenders of ECI stock on the same basis as under the exchange offer.

At the closing, NCR issued 391,268 shares of its Common Stock and will issue as soon as practicable an additional approximately 31,500 covering stock tendered after September 3, 1968.





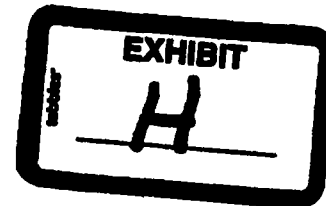
THE NATIONAL CASH REGISTER COMPANY • DAYTON, OHIO 45409
DATA PROCESSING • ACCOUNTING MACHINES • CASH REGISTERS • ADDING MACHINES • SERVICE • SUPPLIES

INTERDEPARTMENT CORRESPONDENCE

OFFICE OF
CONTROLLER

February 10, 1969

Mr. J. L. Sullivan, Staff Assistant
Corporate Procedures and Systems



NCR Production from ECI

Per your verbal request, your note of January 27th, and as stated during a meeting on January 29th attended by representatives of the Manufacturing and Finance Divisions, following are the Corporate policies which will form the basis for the procedures and systems which you are developing in connection with production work performed by the various Electronic Communications, Inc. Divisions for The National Cash Register Company:

- 1) All transactions with ECI will be on a strict purchase order basis, as with any outside NCR vendors and customers.
That is,
 - a) All parts or services sold to ECI will be on a strictly "arm's length transaction" basis, with our prices to them established such that a reasonable profit is realized. ECI retains the right and, in fact, the obligation to consider non-NCR suppliers of these items within the delivery lead time and specification requirements under which any of our suppliers operate. Also, should an engineering change force obsolescence of any of these sub-vendor items, ECI would be treated the same as any other NCR supplier -- not being given a preferential position with regard to potential losses from this source and, on the other hand, not being treated with any more arbitrariness than any other typical NCR supplier.

Mr. J. L. Sullivan
February 10, 1969
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- b) NCR will place a purchase order with ECI at a negotiated price, and not at any arbitrarily-established fixed profit margin such as exists under the "NCR Profit Center Policy Manual" for inter-plant shipments within NCR.
- 2) Any orders from ECI under this relationship will go directly to the Manufacturing Division and not through the Order Approval Department, Purchasing, or the SPD Accounting and Control Department, as has historically been the case. It was decided that the Dayton Plant General Accounting Department would be the appropriate point to designate as the "order entry" location for such transactions.

Due to the criticalness of relating delivery timing of both the parts shipments to ECI and the completed unit shipments back to NCR, it is recognized that the Production and Inventory Control Division will serve as the primary contact with ECI for all questions involving other than order status or invoicing matters. This will include, for example, information involving organizations such as Quality Control and Product Engineering.

At the present time, all orders must be routed through the Dayton Factory General Accounting and Inventory Control groups. That is, orders should not be placed on other NCR Plants by ECI, with any requirements of this nature being directed through Dayton until a smooth running operation is experienced and the close inter-relationship of these orders with the related orders by NCR from ECI proceed beyond the current critical stage. In those relatively rare instances where an item may be produced for ECI by a non-Dayton NCR Plant, only one profit mark-up is to be realized -- by the producing plant, with the Dayton Factory providing only administrative services with no profit compensation.

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- 3) NCR will sell items to Electronic Communications, Inc. on the same basis as designated for domestic inter-factory transfers; that is, cost plus 10% for purchased items and cost plus 25% for manufactured items, including any NCR-produced tooling and test equipment. We should remind ECI Management in discussing this pricing formula with them, however, that the definition of "cost" in our commercial business is considerably less all-inclusive than the definition of "cost" in the military industry and, I am certain, within ECI.

ECI shall sell to NCR on a negotiated "arm's length transaction" basis. This policy statement does not mean that a fixed price by item is necessarily to form the basis for our supplier/customer relationship with ECI. A "cost plus fixed mark-up", or "cost per labor hour", or any other purely arm's length basis as may have been negotiated with a non-NCR related vendor may be used as the basis for this negotiated price.

- 4) The initial accounting for these transactions will be similar to the accounting for these dealings should purely outside parties be involved. That is, the NCR-to-ECI parts sales will be treated distinct from the ECI-to-NCR completed item return sales. It may be necessary for certain specialized accounting data to be generated for reflection in our accounting system at the Corporate level, especially in connection with year-end statements. It will definitely be necessary to develop specialized information for the purposes of make-versus-buy decision-making and product cost analyses. We have discussed our preliminary thinking on this matter with Messrs. Hibbert and Lane as well as ECI financial management, and will send a note regarding this matter to those individuals directly involved in the near future.


With these policy statements serving as your authority to proceed toward the development of a detailed procedural system, many of the specific questions brought up in your letter of January 27th should be

Mr. J. L. Sullivan
February 10, 1969
Page 4

answered with ease. For example, guidelines concerning inventory, returns, and scheduling policies should be identical to those which we would expect to have with any other supplier of a critical item within important NCR product lines. We should not expect to have any larger degree of responsibility for ECI's sub-product inventory levels than with any other vendor, and should not treat them with any added degree of favoritism concerning returns of these items. Likewise, on purchases from them, our incoming inspection should be as rigid as with any other vendor, and the financial penalties and risks/liabilities assumed by any other vendor in a normal business transaction should also exist in this situation.

We recognize that it may be necessary to handle these dual transactions with ECI on some other basis during a short term interim period. The policy statements contained in this letter, however, must form the basis for our continuing production relationship with ECI, and should be implemented as soon as possible. At that time, we should completely discontinue any short term expedient adopted in the interim.

If we can help you in any other way, or if anyone receiving a copy of this note has any questions concerning this matter, please contact us.

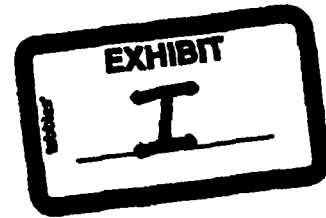

J. H. Combes
CONTROLLER

JHC:ch

cc: Mr. K. H. Bachman
Mr. R. M. Baldwin
Mr. D. E. Barrett
Mr. R. G. Chollar
Mr. H. D. Ditmer
Mr. D. E. Eckdahl
Mr. R. W. Ellis
Mr. W. G. Flanagan
Mr. R. G. Grammer
Mr. J. J. Hangen
Mr. J. J. Hibbert
Mr. L. W. Hodges

Mr. D. K. Hughes
Mr. R. M. Johns
Mr. W. C. Kreidler
Mr. R. K. Kruse
Mr. S. N. Lane
Mr. C. L. Lord
Mr. E. N. Rausch
Mr. R. E. Robbins
Mr. W. R. Schnitzler
Mr. R. L. Sipe
Mr. W. H. Talmage
Mr. J. W. Tucker

State Department of Health
Topeka



MEMORANDUM

Date February 28, 196

To: Inspection File
From: Gerald W. Allen
Subject: Resurvey of Standard Precision Division dial stripping facility.

On January 16, 1969, Mr. Robert C. Will and the undersigned conducted a re-survey of the Standard Precision Facility at request of Mr. Eugene Hill. There has been little use of the facility according to Mr. Hill and the survey would tend to confirm that statement.

Fixed alpha contamination was found not to exceed a few hundred dpm/100 cm₂ at all locations surveyed except on a board supporting some faucets in the stripping room and on the wall on the north side. The board counted at a few 1000 dpm/100 cm₂ and the wall at 600-200 dpm 100 cm₂. Wipes were taken in all areas where contamination was noted and analyzed in the health department laboratory.

The results are attached. It was determined that the removable contamination was less than 200 dpm/100 cm₂ at all locations and less than 50 dpm/100 cm₂ in most. It was recommended that the company's plan to disassemble the stripping room and rebuild it for a parts storage room, be implemented after a complete scrub down followed by painting over those areas that still demonstrate some activity.

Mr. Hill participated in the original decontamination of this facility and appears quite capable of administering the minor work now required. It was also recommended that, after the completion of the move, we be contacted to perform a final survey.

<u>Item</u>	<u>Reported Level</u>	<u>Measured Level</u>
Liquid honing machine	80,000 dpm/100 cm ²	not measured as machine was closed
Inside hood in stripping room	5,000 dpm/100 cm ² (maximum) 500 (average)	3,340 dpm/100 cm ² (me)
Floor under hood	23,000 dpm/100 cm ² (maximum) 3,000 (average)	Not accessible without removing part of hood not measured
Gutter in Stripping Room	83,000 dpm/100 cm ² (maximum) 25,000 dpm/100 cm ² (average)	3,340 dpm/100 cm ² - this was wet and may not be accurate
Sink Faucets and wooden base	33,000 dpm/100 cm ² (maximum)	23,000 maximum
Sink drains and valves (inside)	Not accessible	Not accessible - not measure
Hood exhaust fan housing (inside)	17,000 dpm/100 cm ² (maximum) 4,000 dpm/100 cm ² (average)	Not accessible - not measure
Inside stripping tank	17,000 dpm/100 cm ² (maximum)	Not measured - wet with wate
Waste solution in septic tank	unknown	

GWA:re

5. HEALTH PHYSICS EVALUATION

A. Fixed Contamination Determinations:

Equipment: PAC-3G alpha meter

Measurement No.	Location	Reading (cpm)	dpm per 100 cm ²
1	Floor by outside door	350	1,170
2	Floor by outside door	250	835
3	Floor in front of hood	250	835
4	Bottom shelf under hood	300	1,002
5	Top shelf under hood	200	668
6	Working area of hood	1,000	3,340
7	Inside surface of top front of hood	1,000	3,340
8	Right sink	3,500	11,700
9	Middle sink	2,500	8,350
10	Left sink	750	2,500
11	Shelf behind sinks	<100	< 334
12	Floor in front of sinks	750	2,500
13	Bottom of drain	1,000	3,340
14	Lip in drain	2,000	6,680
15	Top surface of table	<100	< 334
16	Floor between bench and table	200	668
17	Floor between bench and table	250	835
18	Shelf under sink	500	1,670
19	Shelf under sink	200	668
20	Board supporting faucets	7,000	23,400
21	Floor outside of door to stripping room	400	1,340

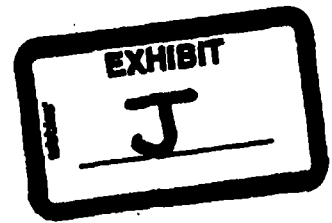
5. HEALTH PHYSICS EVALUATION

A. Fixed Contamination Determinations:

Equipment: PAC-3G alpha meter

[illegible]

State Department of Health
Topeka



MEMORANDUM

Date March 18, 1969

To: File:
From: Gerald W. Allen
Subject: Follow-up of ~~registration~~ ^{inspection} at Standard Precision Division

This inspector visited the Standard Precision Division facility at Pawnee and West Streets in Wichita on March 7, 1969. Mr. Eugene Hill who had been the RSO and Quality Control Supervisor at Standard Precision had been replaced on March 4 of this year by Mr. Clem Sawyer. Mr. Sawyer was formerly in the Engineering Department at Standard Precision and prior to Mr. Hill's arrival in 1966, was also Quality Control Supervisor. This was therefore a return to a familiar job for Mr. Sawyer.

Mr. Sawyer requested a survey of the present facility and a copy of the final form of the operating procedures Standard Precision had provided the Department in their 1968 license application.

The survey was conducted and it was noted that the area formerly called the stripping room had been remodeled and was now being prepared for use as a storage area. The sink and hood had been removed and were placed behind the building. Surveys indicated that there was a small quantity of stripping solution in one basin of the sink which appeared to contain some radium paint. The remainder of the sink appeared to have been decontaminated adequately and no levels above 100 cpm/60 cm² were noted. The hood was surveyed also and the only contamination located was found in a small area of dust which counted 500 cpm. Mr. Sawyer as instructed to prepare the contaminated solution and dust for disposal or to decontaminate them before to release. The room was surveyed and it was noted that there had been a general clean up and repainting and cementing up of the floor drain in this area. No ideas of unacceptable contamination were found. Finally, a survey of the storage facility was performed and it was noted that at least 2 or more of the instruments stored here had radium dials or hands. Mr. Sawyer indicated however, that there were no plans to use these instruments but before their use, each would be monitored and radium painted instruments would not be used. A letter will be sent describing the action recommended and enclosing the procedures requested.

GWA:bl

STRIPPING ROOM

Type of Smear:

Measuring Equipment:

[illegible]

INSPECTION REPORT

A. GENERAL INFORMATION:

1. LICENSEE: Standard Precision, Inc.
4105 West Pawnee
Wichita, Kansas
3. LICENSE NO. 25-R061-01
EXPIRATION DATE: July 31, 1970
2. LOCATION OF OPERATION:
4. DATE OF INSPECTION: April 21, 1970
INSPECTED BY: Blaine Murray *BM*

Same as above

5. PERSONS INTERVIEWED:

Elmer Bailey, Radiation Protection Officer
and Quality Control Manager

6. TYPE OF INSPECTION:

Re-inspection; also, to investigate a reported 20 mR/hr field near the railroad tracks.

7. PREVIOUS INSPECTION:

March 18, 1969

8. ITEMS OF NON-COMPLIANCE:

- a. Previous Inspection (March 18, 1969)

None

- b. Current Inspection (April 21, 1970)

None

9. INDICATION OF INCIDENTS OR ACCIDENTS:

None

10. UNUSUAL CONDITION:

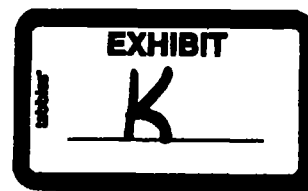
None

11. RECOMMENDED DATE FOR NEXT INSPECTION:

April, 1973

12. EXIT INTERVIEW:

The results of the inspection were discussed with Mr. Elmer Bailey, Mr. Bailey was advised that a letter confirming the inspection would be sent to him.



B. ADMINISTRATION:

1. ORGANIZATION:

Standard Precision is a division of Electronic Communications, Inc. Mr. Frank Grigware is Vice President and General Manager.

2. RADIATION PROTECTION OFFICER:

Mr. Elmer Bailey is the Radiation Protection Officer. Mr. Bailey reports directly to Mr. Grigware. It should be noted that Mr. Bailey replaced Clem Sawyer as Radiation Protection Officer in late 1969.

3. PURCHASING AND RECEIPT CONTROLS:

Mr. Bailey is responsible for ordering and handling all radioactive material.

C. OPERATIONS:

1. TYPE OF OPERATION:

Current work mainly involves making computer components for IBM. This work does not involve the use of radioactive material.

2. INVENTORY:

In years past, Standard Precision Division was involved with stripping radium paint from surplus aircraft instruments. The only inventory of radioactive material at present consists of a few aircraft instruments left over from past stripping operations.

Instrument containing radioactive material on hand were as follows:

NAME	NUMBER
1. Free Air Temperature Indicator	4
2. Tractometer	1

The licensee stated that the five instruments containing radioactive material have been on hand for several years. No instruments containing radioactive material have been shipped or received since the March 18, 1969 inspection.

3. FACILITY:

- a. Operating: The licensee is no longer involved with dial stripping or any other work using radioactive material.
- b. Storage Area: The instruments containing radium are stored in the stock room which is located above the main assembly area.

4. SURVEY INSTRUMENTS:

The licensee has the following portable survey instruments.

- a. Ludlum Model 12 rate meter fitted with a Model 43-2 Zinc Sulfide detector.
- b. Victoreen Model 661 GM meter.

D. POSTING, LABELLING, AND DESIGNATED AREAS:

1. POSTING:

The shelf containing the radium instrument was posted "Caution - Radioactive Material".

2. RH-3:

Form RH-3 was posted.

3. SECURITY:

Only authorized persons are allowed in the stock room. The removal of instruments containing radium must be cleared by Mr. Bailey.

E. PERSONNEL MONITORING:

None

F. SURVEY PROGRAM:

1. Licensees - None

2. Inspector - The inspector conducted a survey to determine radiation and contamination levels. Measurements were taken at the following locations:

Location	mR/hr	Alpha dpm/100 cm ²
1. Stock room, 6 inches from Free Air Temperature Indicators	1	-
2. Stock room, floor	0	2
3. Storage area (old stripping area) floor	0	15
4. Paint shop floor	0	5
5. Lab hood (stored behind building)	0.5	200
6. Sink (Stored behind building)	0.5	300

An attempt was made to locate the radiation field mentioned in Item A. 6. Mr. Guy Oldfield informed Gerry Allen that in 1966 a 20 mR/hr field existed near the railroad track at Standard Precision, Inc.

There is a railroad across Kansas Hiway-42 from Standard Precision's 4105 West Pawnee location. A 300 yard section of the track was surveyed, but no radiation above background was found. Mr. Bailey stated that Standard Precision also has a facility on Gilbert Street near the downtown Wichita area. A 0.4 mR/hr field was found near the railroad tracks which ran along the east side of the Gilbert Street facility. Apparently, this is the area that Mr. Oldfield had mentioned. However, the radiation levels are now such that is no longer a significant problem.

Standard Precision, Inc.

May 7, 1970

Page #4

G. WASTE DISPOSAL:

None

H. TRANSPORTATION:

None

I. DOCUMENTATION; RECORD, & REPORTS:

The licensee had the following documents.

1. Kansas Radiation Protection Regulations.
2. Copy of license.

J. RADIATION PRODUCING DEVICES; NON-IONIZING RADIATION PRODUCING DEVICES:

None

Reviewed by

Prunty

Date

5-8-70

BM:al

Standard Precision, Inc.

May 7, 1970

Page #5

K. EVALUATION:

The licensee's present program consists of storing five aircraft dials containing radium. As a result, the associated radiological problems are rather limited.

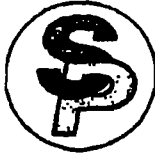


Figure 10
STANDARD PRECISION

A DIVISION OF ECI (AN NCR SUBSIDIARY)

4108 W. PAWNEE • BOX 1297 • WICHITA, KANSAS 67201 • 948-3241



- GENERAL AVIATION PRODUCTS
- MILITARY PRODUCTS
- RESEARCH & DEVELOPMENT PROGRAMS

June 17, 1970

Kansas State Department of Health
State Office Building
Topeka, Kansas 66612

Attention: Mr. Gerald W. Allen

Gentlemen:

This letter is in regard to continuing our Kansas Radioactive Materials license number 25-R061-01 which expires on July 31, 1970.

We wish to renew our license. There has been no change in our program at this time and we do not anticipate any changes in the near future.

Thank you,

E. L. Bailey
E. L. Bailey
Quality Control Manager

sl



COPY

STATE OF KANSAS
RADIOACTIVE MATERIALS LICENSE

Page 1 of 1 Page

Supplementary Sheet:

License Number 25-R061-01

Amendment No. 4

Standard Precision, Inc.
4105 West Pawnee
Box 1297
Wichita, Kansas 67201

License number 25-R061-01 is hereby amended as follows:

To read:

Item 3: 25-R061-01 (G 72)

Item 4: July 31, 1972



FOR THE STATE DEPARTMENT OF HEALTH

Date

JUN 23 1970

By

A handwritten signature in black ink, appearing to read "R. C. Will", written over a horizontal line.

20-3894

8-64-4M

Robert C. Will, Chief
Radiation Control Section

MINUTES OF MEETING
December 22, 1971

A regular meeting of the Board of Directors of The National Cash Register Company, a Maryland corporation was held on December 22, 1971, at 11:00 o'clock A.M., Eastern Standard Time, in Room 2001, 717 Fifth Avenue, New York, New York, pursuant to notice thereof mailed to all directors at their respective addresses at least one week prior thereto.

The following directors were present:

Messrs. Charles A. Anderson
Frederic H. Brandi
Fred C. Foy
John J. Hangen
George Haynes
Charles L. Keenoy
R. Stanley Laing
Robert S. Oelman
William P. Patterson
James E. Rambo
David L. Rike
James S. Rockefeller
Thomas E. Sunderland
Thomas R. Wilcox



constituting a majority of the Board and a quorum.

Mr. R. S. Oelman, Chairman of the Board, presided at the meeting, and Mr. James E. Rambo, Secretary of the Company, acted as Secretary of the meeting and kept the minutes thereof.

Mr. Brandi made a brief report of the matters considered by the Audit Committee at its December 17th meeting.

The Secretary presented a copy of the notice of the meeting which had been mailed to all of the directors at their respective addresses, and the Chairman directed that said notice be filed with the minutes of the meeting.

The minutes of the meeting of the Board of Directors held on November 17, 1971, were upon motion approved.

Mr. Hangen stated that in order to make maximum use of the foreign tax credit, management would recommend the sale of the Company's domestic installment contracts to First National City Bank, New York. After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the Company sell and assign to First National City Bank, New York, New York, on December 31, 1971 all contract accounts receivable of the Company on that date consisting of unpaid deferred payment obligations of customers arising out of installment sales of business machines to purchasers in the United States, excluding the State of Hawaii, at a discount from aggregate face value on that date of not exceeding eight and one-half per cent (8-1/2%) and substantially subject to the terms, conditions and exceptions set forth in the proposed letter-agreement with said Bank presented to this meeting;

FURTHER RESOLVED, that any one of the Chairman; the President; the Vice President, Finance; the Secretary; the Treasurer; or the Controller of the Company be and he is hereby authorized and directed, for and in the name of the Company, to negotiate and reach agreement with said Bank with respect to the financial and other terms of such letter-agreement, to finalize, execute and deliver said letter-agreement and the Assignment required thereby, and to do all other and further acts and things as he may deem necessary and advisable in order to effectuate these resolutions and to consummate such sale and assignment.

Mr. Hangen stated that the Company had been able to borrow at prevailing rates of interest, the equivalent of \$12,000,000 in Euro-currencies, in equal amounts from First National City Bank, and Bank of America, which proceeds would be used to repay a prior loan from a German Bank. Upon

1

motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the action of E. C. Nowak, Treasurer of the Company in executing and delivering on behalf of this Company to First National City Bank, New York an agreement for the loan of the equivalent of \$6,000,000 in Euro-currencies, extended by said bank to the Company, be, and hereby it is ratified and confirmed as and for the action of the Company;

RESOLVED, that the action of E. C. Nowak, Treasurer of the Company in executing and delivering on behalf of this Company to Bank of America, an agreement for the loan of the equivalent of \$6,000,000 in Euro-currencies, extended by said bank to the Company, be, and hereby it is ratified and confirmed as and for the action of the Company.

Mr. Rambo stated that the next order of business was to approve the reorganization of Electronic Communications, Inc. ("ECI"), a New Jersey corporation of which the Company owns approximately 99.8% of the outstanding common stock. As a result of the reorganization ECI will become a wholly-owned subsidiary of the Company and the minority shareholders of ECI will be paid \$26 per share for their ECI common stock. After discussion, upon motion duly seconded and unanimously carried, it was

RESOLVED, that the Plan of Merger of Electronic Communications, Inc. into ECI Merger Corp. under which Electronic Communications, Inc. would be merged into ECI Merger Corp., a wholly owned subsidiary of the Corporation, which Plan of Merger is described in and attached as Exhibit A to the letter to shareholders of Electronic Communications, Inc. dated December 8, 1971, copies of which were presented to this meeting, be and the same hereby is approved;

FURTHER RESOLVED, that the actions of the officers of this Corporation in organizing ECI Merger Corp. under the laws of the State of New Jersey and causing this Corporation to subscribe for and purchase 1,000 shares of common stock of ECI Merger Corp. at

\$1 per share, being all of the outstanding shares of common stock of ECI Merger Corp., and the actions of the directors of Electronic Communications, Inc. and ECI Merger Corp., respectively, in approving the aforesaid Plan of Merger, be and the same hereby are ratified, approved and confirmed;

FURTHER RESOLVED, that the proper officers of this Corporation be and they hereby are authorized to execute on behalf of this Corporation, as the sole stockholder of ECI Merger Corp., a Written Consent in Lieu of Special Meeting of Shareholders of ECI Merger Corp. approving the aforesaid Plan of Merger;

FURTHER RESOLVED, that the proper officers of this Corporation be and they hereby are authorized to vote or to appoint one or more proxies to vote the shares of Electronic Communications, Inc. held by this Corporation for approval of the aforesaid Plan of Merger.

FURTHER RESOLVED that the proper officers of this Corporation be. and they hereby are, authorized and directed to do and perform all such acts and things and to execute and deliver all such instruments as they or any of them shall deem necessary or advisable in order to carry out and effectuate the intents and purposes of the foregoing resolutions.

Mr. Rambo stated that the Company had been able to acquire an option from the Peterborough Industrial Development Corporation for the purchase of a 10 acre parcel of land in New Hampshire which might be used by the Systemedia Division as a plant site to be financed by industrial revenue bonds. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the action of Mr. Robert M. Sweeney, Vice President and General Manager, Systemedia Division, in executing and delivering on or about November 24, 1971, in the name and on behalf of the Company, to Peterborough Industrial Development Corporation ("PIDC"), a Purchase Option agreement pursuant to which the Company secured, for a consideration of \$1,000, an option expiring April 1, 1972 to purchase from PIDC approximately

10 acres of land at Peterborough, New Hampshire, at a price of \$17,000 and upon the further terms and conditions set forth in said Purchase Option agreement, be and the same is hereby in all respects approved, ratified and confirmed.

In his report to the Board Mr. Laing commented upon the levels of incoming orders and operating profit.

Mr. Keenoy presented to the meeting a series of charts showing incoming orders for the Domestic Marketing Division for the month of November 1971 and the year through November 30, 1971.

Mr. Haynes presented to the meeting a series of charts showing incoming orders of the various regions included in International Operations for the month of November 1971 and the year to date through November 30, 1971.

Mr. Hangen presented to the meeting a series of charts relating to the Company's financial position, and explained the same in detail.

Following an introduction by the Chairman, Mr. Laing made a report to the Board of negotiations with another company, known as the Alpha-Beta project.

Mr. Laing stated that the Company had approved contracts between its Canadian subsidiary and the Department of Industry, Trade and Commerce of Canada under which the Canadian Government would share in the cost of new engineering and manufacturing facilities in Canada.

The Chairman announced that the next meeting of the Board of Directors would be held January 26, 1972 in New York City.

There being no further business to come before the meeting, it was upon motion duly made, seconded and unanimously carried

RESOLVED, to adjourn.

ADJOURNED.

Wm. C. Smith

Secretary

**PLAN OF MERGER
OF
ELECTRONIC COMMUNICATIONS, INC.
INTO
ECI MERGER CORP.**

FIRST: The names of the constituent corporations are Electronic Communications, Inc. and ECI Merger Corp. ECI Merger Corp. shall be the surviving corporation.

SECOND: Electronic Communications, Inc. shall be merged into ECI Merger Corp., such merger to be effective upon the filing of a Certificate of Merger in the office of the Secretary of State of New Jersey.

THIRD: The Certificate of Incorporation of the surviving corporation shall be the Certificate of Incorporation of ECI Merger Corp., except that Article FIRST thereof shall be hereby amended as of the effective date of the merger to state in its entirety as follows:

"FIRST: The name of the corporation is
ELECTRONIC COMMUNICATIONS, INC."

FOURTH: (a) The manner and basis of converting the shares of each constituent corporation into the shares of the surviving corporation, or cash or other consideration to be paid or delivered in exchange for shares of the constituent corporations, is as follows:

Upon the effective date of the merger:

- (1)** Each issued and outstanding share of Electronic Communications, Inc. Common Stock held of record by any holder thereof other than The National Cash Register Company shall forthwith be cancelled and in lieu thereof the holder of such Common Stock shall, subject to the provisions of subparagraph (b)



below, be entitled to receive cash at the rate of \$26.00 per share for each such share held, except to the extent any such holder may perfect his rights as a dissenting shareholder under Chapter 11 of Title 14A, Corporations, General, of the New Jersey Statutes.

- (2) Each issued and outstanding share of Electronic Communications, Inc. Common Stock held of record by The National Cash Register Company shall forthwith be cancelled and no shares issued or cash paid in lieu thereof; and
- (3) The issued and outstanding shares of ECI Merger Corp. Common Stock (all of which shares are held of record by The National Cash Register Company and which consist of one thousand (1,000) shares of Common Stock, par value \$1.00 per share) shall be the issued and outstanding shares of the surviving corporation.

(b) From and after the effective date of the merger, the holders of certificates of Electronic Communications, Inc. Common Stock shall cease to have any rights with respect to such stock, except to the extent any such holder may perfect his rights as a dissenting shareholder under Chapter 11 of Title 14A, Corporations, General, of the New Jersey Statutes. After the effective date of the merger, each holder of record, other than The National Cash Register Company, of an outstanding certificate or certificates theretofore representing shares of Electronic Communications, Inc. Common Stock, shall be entitled, except as aforesaid, upon surrender of the same to the surviving corporation duly endorsed as the surviving corporation may require, to receive in exchange therefor a check in an amount equal to the number of shares theretofore represented by such certificate or certificates multiplied by \$26.00.

Dated as of December 6, 1971.

AGREEMENT OF SALE

This AGREEMENT made and entered into this 30th day of December, 1971, by and between Electronic Communications, Inc., a New Jersey corporation. (formerly ECI Merger Corp., successor by merger to Electronic Communications, Inc., a New Jersey corporation), hereinafter referred to as "ECI" and EDO Corporation, a New York corporation, hereinafter referred to as "EDO".

WITNESSETH:

That for and in consideration of the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto do covenant and agree as follows:

1. Definitions: The parties agree to the following definitions of the terms used in this Agreement and such definitions shall apply throughout this Agreement except as may otherwise be specifically stated:

a. "Air Speed and Vertical Speed Indicators" shall mean all of such indicators manufactured by ECI's Standard Precision Division, 4105 West Pawnee St., Wichita, Kansas.

b. "High Cost and Low Cost Fuel System



Indicators" shall mean all such indicators manufactured by ECI's Standard Precision Division, 4105 West Pawnee St., Wichita, Kansas.

c. The "Product Line Assets" mean those assets of ECI's Standard Precision plant, 4105 West Pawnee St., Wichita, Kansas and presently used by ECI's Standard Precision Division in connection with the manufacture and sale of said indicators, as follows:

- (1) All production machinery and equipment listed in Exhibit A, attached hereto.
- (2) Special tooling listed in Exhibit B, attached hereto.
- (3) All patents listed in Exhibit C-1, attached hereto, and all drawings, specifications, manuals, illustrations, technical data, know-how and other rights in ECI's possession relating to said indicators listed in Exhibit C-2, attached hereto. (all such assets referred to in this subparagraph (c) being hereinafter called "Intangible Rights").

(4) Inventories of materials and work-in-process relative to the indicators as listed in Exhibit D, attached hereto.

2. Covenant to Sell and Purchase: Subject to and in accordance with the terms and conditions hereinafter provided, ECI agrees to sell to EDO, and EDO agrees to purchase from ECI, the Product Line Assets.

3. Purchase Price: The purchase price for said indicator assets to be paid by EDO to ECI shall be the aggregate of the following amounts, payable and subject to adjustment as provided in paragraph 4.

<u>Item</u>	<u>Air Speed & Vertical Speed Indicators</u>	<u>Hi & Lo Cost Fuel System Indicators</u>	<u>Total</u>
For items described in paragraph 1 c (1), above.	\$19,000.00	\$ 7,000.00	\$26,000.00
For items described in paragraph 1 c (2), above.	12,000.00	5,000.00	17,000.00
For items described in paragraph 1 c (4), above. (Estimated amounts indicated, the actual purchase price being the price of such items, as provided in paragraph 4(c).)	17,600.00	3,500.00	21,100.00
Sub-Total	<u>\$48,600.00</u>	<u>\$15,500.00</u>	<u>\$64,100.00</u>

Royalty on all sales for 2 year period as described below

5%

5%

4. Terms of Payment:

- a. At closing EDO will deliver to ECI its check in the amount of \$21,360.00.
- b. 60 days after the closing EDO will pay ECI the sum of \$21,370.
- c. 120 days after the closing, EDO will pay to ECI an amount equal to the Adjusted Final Payment, which shall be calculated in accordance with this subparagraph. Not later than 45 days after the closing date, ECI shall at its own expense cause to be prepared and shall deliver to Edo a statement of the book value as of the closing date of the assets referred to in paragraph 1(c)(4), certified by an independent certified public accountant as having been prepared in accordance with generally accepted accounting principles. EDO shall have the right to examine and audit all records and books of ECI concerning such assets and such book value, during reasonable business hours. "Adjusted Final Payment" shall mean

(1) the sum of (x) \$43,000 and

(y) 80% of the book value as

of the closing date of the assets referred to in paragraph 1(c)(4) (provided, that the amount calculated pursuant to this clause (y) shall not exceed \$25,320), less

(ii) the sum of all payments theretofore made pursuant to subparagraphs (a) and (b) above.

d. In addition to the above payments, not later than 30 days after the end of each of the first eight calendar quarters ending after the closing date other than the quarter ending December 31, 1971 (the first such quarter to end March 31, 1972 and the last such quarter to end December 31, 1973), EDO will pay ECI a royalty equal to 5% of the Net Selling Price of all Air Speed and Vertical Speed Indicators and High Cost and Low Cost Fuel System Indicators sold by EDO during such quarter. "Net Selling Price" shall mean EDO's invoice price less amounts paid by it for transportation charges and sales and excise taxes and less refunds and discounts allowed by it and actually taken by

purchasers. In this connection, EDO agrees to allow ECI the right to examine and audit all records concerning said indicator products, during reasonable business hours, covering the two year royalty period.

5. Closing: On or before December 30, 1971, a final closing will be held at the offices of Debevoise, Plimpton, Lyons & Gates, 320 Park Avenue, New York, New York or at such other place as the parties hereto may mutually agree, at which time the following transactions shall take place:

- a. EDO will deliver to ECI the payment described in paragraph 3(a), above.
- b. ECI will deliver to EDO Bills of Sale and other documents as may be necessary or appropriate in the opinion of EDO's counsel to vest in EDO good and marketable title to the Product Line Assets other than the Intangible ^{Rights} ~~Property~~ subject to no mortgage, pledge, lien, charge, security interest, or encumbrance. *JPH*
- c. At the closing or as soon thereafter as possible ECI will deliver to EDO a certified copy of the resolutions of its Board of Directors authorizing this Agreement.

and the actions contemplated thereby.

- d. ECI will deliver to EDO an assignment in the form of Exhibit C-1 and an assignment in the form of Exhibit C-2.

6. Delivery of Assets: Upon delivery of the payment as set forth in paragraph 5 a, title to the Product Line Assets sold hereunder shall immediately pass to EDO. EDO shall promptly but no later than January 31, 1972, arrange for their removal and shall pay the cost of all rigging, drayage and transportation. ECI agrees to provide reasonable assistance to EDO in facilitating the movement of the assets sold.

7. Representations and Warranties of ECI: ECI represents and warrants to EDO and agrees, as follows:

- a. ECI is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. ECI has the corporate power and authority to own and dispose of the property sold hereunder.
- b. The information contained in Exhibits A, B, and D (attached hereto and incorporated herein by reference) is true and correct and does not omit any facts which make such information materially misleading.

- c. ECI has good and marketable title to all of the Product Line Assets free and clear of all mortgages, pledges, liens, charges, security interest, conditional sale agreements, restrictions on sale, and other encumbrances.
- d. ECI has no knowledge of any material latent defect or breakdown in any of the machinery, equipment or other tangible assets constituting a part of ECI's ~~the Product Line Assets~~ Standard Precision Division said indicator assets. JH. EBm
- e. ECI has no knowledge or notice that in conducting the said indicator business, it is, or is alleged to be infringing or conflicting with patents, patent applications, and trademarks of others. ECI has no knowledge of any actual or alleged infringement of, or conflict with, Intangible Rights, or other rights of others which might result in any material adverse effect on the conduct of such business or the use of the Product Line Assets by EDO. The design, manufacture, use and sale of the Air Speed and Vertical Speed Indicators and

the High Cost and Low Cost Fuel System Indicators by ECI on the date hereof does not and at the time of the closing will not, and by EDO from and after the time of the closing will not, violate any patent, trademark, service mark, copyright or license. All of the Intangible Rights owned or used by ECI in said indicator business are transferable to EDO and are included in the said indicator assets. The Intangible Rights will be transferred by ECI to EDO free and clear of all claims of third parties.

f. There are no actions, suits or proceedings pending and, to the knowledge of the Officers of ECI and Standard Precision Division, there are no claims or governmental investigations pending and no actions, suits, proceedings, claims or governmental investigations threatened, and no outstanding judgment, order, writ, injunction, decree or award, which might impair the ability of ECI to perform its obligations herein contained.

g. ECI has all necessary corporate power

and authority to enter into this Agreement and to perform the obligations to be performed by it hereunder. The execution, delivery and performance of this Agreement by ECI will have been authorized prior to the occurrence of closing by all necessary corporate action including approval by ECI's Board of Directors. The making of this Agreement and the consummation of the transactions contemplated hereunder will not conflict with any provision contained in the Articles of Incorporation or Bylaws of ECI, or result in a breach of any provision of, or constitute a default under, any agreement or instrument to which ECI is a party or by which it may be bound.

- h. All inventories of raw materials and work-in-process constituting a part of said indicator assets shall be usable in the ordinary course to produce products of merchantable grade and quality normally produced in the ordinary course of said indicator business.

- i. ECI has not employed any finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement, or any of the transactions contemplated hereby, or any other proposed acquisition, direct or indirect, of any assets of ECI by EDO, and ECI will indemnify EDO and hold it harmless against liabilities, expenses, costs, losses and claims, if any, arising from the employment by ECI or services rendered to ECI (or any allegation of any such employment or services) of any finder, agent, broker or other intermediary in such connection.
- j. ECI is of the opinion that this transaction is not subject to sales tax under the laws of the State of Kansas; however, if it is later determined that sales tax must be paid, EDO will reimburse ECI or directly pay to the State of Kansas any required sales tax.
- k. The transactions contemplated hereby do not constitute a "bulk transfer" within the

meaning of Article 6 of the Kansas Uniform Commercial Code, and ECI will indemnify EDO and hold it harmless against all liabilities, expenses, costs, losses and claims, if any, arising from failure to comply with the requirements of the Kansas Uniform Commercial Code which would be applicable if such transactions constituted a bulk transfer.

8. Representations and Warranties of EDO: EDO represents and warrants to ECI and agrees as follows:

- a. EDO is a corporation duly organized, validly existing and in good standing under the laws of the State of New York.
- b. EDO has all necessary corporate power and authority to enter into this Agreement and to perform the obligations to be performed by it hereunder. The making of this Agreement and the consummation of the transactions contemplated hereby will not conflict with any provision contained in the Certificate of Incorporation or By-Laws of EDO or result in a breach of any provision of, or constitute a

default under, any agreement or instrument to which EDO is a party or by which it may be bound.

- c. EDO has not employed any finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement or any of the transactions contemplated hereby or any other proposed acquisition, direct or indirect, of any assets of ECI by EDO, and EDO will indemnify ECI and hold it harmless against all liabilities, expenses, costs, losses and claims, if any, arising from the employment by EDO or services rendered to EDO (or any allegation of any such employment or services) of any finder, broker, agent or other intermediary in such connection.

9. Consultation: From and after closing and until June 30, 1972, EDO shall have the privilege of consulting with ECI's Standard Precision Division personnel relative to said indicator business, and such personnel shall, notwithstanding any non-disclosure agreements they may have with ECI, be free to disclose, during reasonable

business hours, to EDO and its representatives information regarding said indicator business as previously carried on by ECI's Standard Precision Division.

10. Interpretation: This Agreement shall be governed, interpreted and applied according to the laws of the State of New York.

11. EDO To Assume No Liabilities: EDO shall not, and shall not be deemed to, assume or otherwise be obligated to pay, perform or discharge ^{any liabilities or obligations of ECI} except for any possible state sales tax as contained in paragraph 7 j above, and ECI will indemnify and hold EDO harmless against, any and all loss, cost, damage or expense (including attorney's fees) incurred or accrued or arising out of events occurring in whole or in part, prior to the closing date. *EBM*

12. Further Assurances: After closing hereunder, ECI from time to time at EDO's request and without further consideration or cost or expense to EDO, shall execute and deliver such other instruments of conveyance and transfer and take such other action as EDO may reasonably request more effectively to sell, transfer, assign and deliver and vest in EDO and to put EDO in possession of any of the Product Line Assets. The representations and warranties of

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AGREEMENT OF SALE

THIS AGREEMENT made and entered into this 7th day of September, 1972, by and between THE NATIONAL CASH REGISTER COMPANY, a Maryland corporation with its principal business offices at Dayton, Ohio ("NCR"), and AEROSONIC CORPORATION, a Delaware corporation with its principal business offices at Clearwater, Florida ("AEROSONIC").

W I T N E S S E T H:

That for and in consideration of the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto do covenant and agree as follows:

1. Definitions. The parties agree to the following definitions of the terms used in this Agreement and such definitions shall apply throughout this Agreement except as may otherwise be specifically stated:

- a. "Air Gyros" shall mean air-driven horizontal and directional aircraft gyroscopes as designed, manufactured and sold on and after January 3, 1972 by NCR's Wichita, Kansas plant and as designed, manufactured and sold prior to said date by the Standard Precision Division of Electronic Communications, Inc. ("ECI"), a subsidiary of NCR.
- b. "Electric Gyros" shall mean electrically driven horizontal and directional aircraft gyroscopes as designed on and after January 3, 1972 by NCR's Wichita, Kansas plant and as designed prior to that date by the said Standard Precision Division of ECI.
- c. "NCR's Wichita, Kansas Plant" shall mean the manufacturing and administrative facilities located at

EXHIBIT

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ECI contained herein shall survive the closing and any investigation made by EDO.

13. Non-Manufacture of Indicators: For a period of five years from closing of this Agreement, ECI shall not directly or indirectly, by itself or through any other entity or person, whether a parent, subsidiary or otherwise, engage in the design, manufacture, and/or sale of indicators of the same, or substantially the same, design as the indicators concerned in this Agreement.

14. Assignment: This Agreement shall be binding upon and inure to the benefit of the parties and their successors but shall not be assignable by either party without the consent of the other.

15. Entire Agreement: This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof and may not be changed or modified orally but only by an instrument in writing signed by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on the day and year first above written.

ELECTRONIC COMMUNICATIONS, INC.

By

J. J. Hanger
EDO CORPORATION

By

Edmund B. Moore

4105 West Pawnee and 650 East Gilbert Street,

Wichita, Kansas, all as operated and maintained by

NCR on and after January 3, 1972 and prior to said

date by the said Standard Precision Division of ECI.

2. Covenant to Sell and Purchase. Subject to and in accordance with the terms and conditions hereinafter provided, NCR agrees to sell to Aerosonic, and Aerosonic agrees to purchase from NCR, the following assets:

a. With respect to Air Gyros -

- (i) Tooling for subassemblies and final assemblies as described in Schedule 1 annexed hereto and made a part hereof;
- (ii) Tooling in the possession of vendors as described in Schedule 2 annexed hereto and made a part hereof;
- (iii) In-house tooling for parts machining as described in Schedule 3 annexed hereto and made a part hereof;
- (iv) Parts inventory as described in Schedule 4 annexed hereto and made a part hereof;
- (v) Production machinery and equipment as described in Schedule 5 annexed hereto and made a part hereof;
- (vi) All patents and patent applications owned by NCR in connection with Air Gyros; and
- (vii) All drawings, service manuals, purchase records and similar writings and records relating to Air Gyros.

b. With respect to Electric Gyros -

- (i) Two (2) prototype models;**
- (ii) Parts for four (4) additional models;**
- (iii) Drawings (estimated to be 50% complete); and**
- (iv) All patents and patent applications owned by
NCR in connection with Electric Gyros.**

3. Purchase Price. For the assets described above, Aerosonic agrees to pay NCR as indicated below:

a. For the assets described in Section 2a hereof, the sum of \$100,000 payable as follows:

- (i) \$10,000 upon the execution of this Agreement, the receipt of which by NCR is hereby acknowledged;**
- (ii) \$40,000 upon completion by Aerosonic of its examination and verification of said assets but not later than thirty (30) days following the date of execution hereof; and**
- (iii) \$50,000 on the Closing Date (as hereinafter defined).**

b. For the assets described in Section 2b hereof, in the event that Aerosonic determines within a period of two (2) years following the date of execution hereof to commence production of an electrically driven gyroscope substantially incorporating the technology disclosed in said assets, then Aerosonic undertakes to pay NCR the sum of \$25,000 at the time Aerosonic commences production of such gyroscope, and further undertakes to pay to NCR a royalty in the amount of five per cent (5%) of Aerosonic's selling price to

its customers for each such gyroscope sold by Aerosonic during a two (2) year period commencing on the date on which Aerosonic commences such production. Aerosonic shall report all shipments of such gyroscopes and shall remit to NCR royalty payments due hereunder at the end of each calendar quarter starting on the date of the first such shipment. For the purpose of verifying such royalty payments, Aerosonic shall grant NCR reasonable access to such records of Aerosonic as may relate to same. In the event that Aerosonic should not determine within the two (2) year period following the date of execution hereof to commence the production of such gyroscopes, then Aerosonic shall not be obligated to pay to NCR either the aforesaid \$25,000 or the aforesaid royalty; but in such event Aerosonic covenants that it will not produce any other type of electrically driven horizontal and/or directional aircraft gyroscope during a period of ten (10) years following the date of execution hereof.

4. Condition of Assets. All of the assets to be sold by NCR to Aerosonic hereunder will be sold on an "as is, where is" basis, and NCR makes no representations or warranties in connection therewith except that NCR warrants that it has title to such assets free and clear of any liens, encumbrances or restrictions affecting its title or its right to sell such assets or otherwise restricting its ability to perform its obligations under this Agreement. NCR will afford Aerosonic's representatives reasonable access to the assets described herein for the purpose of making the examination mentioned

in subsection (ii) of Section 3a hereof. In the event Aerosonic should not be satisfied with the condition of the assets as discovered during such examination, Aerosonic shall promptly so notify NCR in writing, and this Agreement shall thereupon terminate and the parties hereto shall be relieved of their obligations hereunder.

5. Closing. Unless this Agreement should be terminated as provided in Section 4 hereof, the sale of the assets described in Section 2 shall close at the offices of ECI, 1501 72nd Street North, St. Petersburg, Florida, or at such other place as the parties may mutually determine, and on such date (the "Closing Date") as the parties shall mutually select, which date shall be within thirty (30) days next following the completion of Aerosonic's examination of the assets mentioned in subsection (ii) of Section 3a hereof. At the Closing, Aerosonic shall deliver to NCR the payment described in subsection (iii) of Section 3a, and NCR shall deliver to Aerosonic one or more Bills of Sale and other documents as may be necessary or appropriate to vest in Aerosonic title to all of the assets described in Section 2, free and clear of all liens or encumbrances. Each party shall further deliver to the other at the Closing such evidence of corporate authority to enter into and consummate the transactions contemplated hereby, in the nature of certified resolutions and/or other certificates, as the other party may reasonably request.

6. Delivery of Assets. At the Closing mentioned in Section 5 hereof title to the assets sold hereunder shall pass to Aerosonic. Aerosonic shall thereupon promptly, but in no event later than fifteen (15) days following the Closing Date, arrange for the removal of, and remove, such assets from NCR's premises. In connection therewith, Aerosonic shall pay all costs of crating or otherwise preparing the assets for shipment and all rigging, drayage, freight and other transportation costs associated with the removal and shipment of the assets. NCR agrees to provide Aerosonic reasonable access to

the assets for such purpose and to lend reasonable assistance to Aerosonic to facilitate the removal of the assets by Aerosonic as herein provided.

7. Consultation. Following the Closing NCR shall make available to Aerosonic, at Aerosonic's expense as hereinafter provided, one or both of the following NCR employees for such period or periods as Aerosonic may select, but not exceeding six (6) months with respect to each employee, to render consulting services at Aerosonic's intended gyroscope manufacturing site at Dallas, Texas, and Aerosonic shall reimburse NCR for all such periods of consultation by each such employee at the rate applicable to him as indicated below:

Ernest Spence	\$1,406 per month
Danny Edwards	\$1,031 per month.

During any such period of consultation Aerosonic shall pay (or reimburse NCR if NCR shall have paid) the actual travel and subsistence expenses incurred by such employees. NCR shall interpose no objection in the event that Aerosonic should attempt to employ either or both of said employees. NCR's obligation hereunder to make either of said employees available for consultation shall terminate in the event the employee ceases being an employee of NCR.

8. Customer Warranties. Effective upon the execution of this Agreement, and continuing thereafter unless and until this Agreement should be terminated as provided in Section 4 hereof, Aerosonic shall assume the responsibility of providing warranty service to customers who have heretofore purchased Air Gyros from NCR, or from the Standard Precision Division of ECI, which are within the factory-warranty period. With respect to such Air Gyros as were produced by NCR, or said Division of ECI, prior to August 1, 1971, NCR shall reimburse Aerosonic for the actual cost of labor and materials

incurred by Aerosonic in rendering such warranty service. Warranty service rendered by Aerosonic with respect to such Air Gyros as were produced by NCR, or by said Division of ECI, on or after August 1, 1971 shall be at Aerosonic's sole expense. If Aerosonic is called upon to render any warranty service within the scope of this Section 8 prior to such time as Aerosonic shall have taken title to and possession of the assets sold hereunder, NCR shall make available to Aerosonic from such assets parts and other items as Aerosonic may require to render such service; and if NCR should be required by the second sentence of this Section 8 to reimburse Aerosonic for the cost of rendering such service, NCR shall pay Aerosonic for such parts and other items as if they were then owned by Aerosonic. In no event, however, shall Aerosonic cite any depletion of the assets pursuant to the foregoing sentence as grounds for termination pursuant to Section 4 hereof.

9. Further Assurances. After the Closing hereunder, NCR shall from time to time, without further consideration or cost or expense to Aerosonic, execute and deliver such other or further instruments of conveyance and transfer and take such other action as Aerosonic may reasonably request more effectively to sell, transfer, assign and deliver and vest in Aerosonic title to the assets sold hereunder.

10. Brokers. Each party hereto covenants and represents that it has not employed any finder, broker, agent or other intermediary in connection with the negotiation or consummation of this Agreement, or any of the transactions contemplated hereby, or any other proposed acquisition, direct or indirect, of any assets of NCR by Aerosonic. Each party hereto agrees to indemnify and hold harmless the other party against liabilities, expenses, costs, losses and claims, if any, incurred by or asserted against such other party arising by reason of the alleged employment by the indemnifying party of any such finder, broker, agent or other intermediary in such connection.

11. Taxes. The parties are of the opinion that this transaction is not subject to sales tax under the laws of Kansas. However, if it is later determined that such sales tax must be paid, Aerosonic shall pay such tax or reimburse NCR if such tax shall have been paid by NCR.

12. Bulk Sales. The parties are of the opinion that the transactions contemplated hereby do not constitute a "bulk transfer" within the meaning of Article 6 of the Kansas Uniform Commercial Code. However, NCR will indemnify Aerosonic and hold it harmless against all liabilities, expenses, costs, losses and claims, if any, arising from the failure to comply with the requirements of the Kansas Uniform Commercial Code which would be applicable if such transactions constituted a "bulk transfer".

13. Separability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

14. Interpretation. This Agreement shall be governed, interpreted and applied according to the laws of the State of Kansas.

15. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their successors but shall not be assignable by either party without the consent of the other.

16. Entire Agreement. This Agreement constitutes the entire Agreement between the parties hereto with respect to the subject matter hereof and may not be changed or modified orally but only by an instrument in writing signed by the parties.

IN WITNESS WHEREOF, each of the parties hereto has caused this
Agreement to be executed on the day and year first above written.

THE NATIONAL CASH REGISTER COMPANY

By 
Vice President

AEROSONIC CORPORATION

By 

SCHEDULE 1.

**TOOLING FOR
GYRO SUB-ASSEMBLY**

<u>Item</u>	<u>Serial No.</u>	<u>Nomenclature</u>	<u>Function of Tool</u>
1.	3552	Swaging Fixture	Swage pins in H.G. drive brackets.
2.	3212	Holding Fixture	Install spirol pins in erector ring.
3.	210 1076	Holding Fixture & Swaging	Locate wedges and hold while swaging pivot.
4.		Locating Fixture	Locate index bars and hold while adhesive cures.
5.	3523	Locating Jig	Locate port plate and gasket for installation on D.G. can assembly.
6.		Leak Test Fixture	Leak test seal strips on H.G. and D.G. yoke assembly.
7.	210 1085	Drill Jig	Drill rivet holes in H.G. background mask and bracket.
8.	210 1085	Rivet Jig	Rivet bracket to background mask.
9.	210 1076	Drill Jig	Drill rivet holes in moveable mask and bar assembly.
10.	210 1076	Rivet Jig	Rivet moveable mask to bar assembly.
11.	3436	Check Fixture	Check run-out on D.G. drive gear.
12.	3519	Forming Fixture	Form seal strips for H.G. and D.G. yoke assembly.
13.	3260	Swaging Fixture	Swage pins in shaft assembly (H.G.).
14.	3550	Swaging Fixture	Swage balance screw nuts on pitch and roll bail assembly.
15.	3525	Locating Jig	Locate bearing housing in front of D.G. frame assembly.
16.		Holding Fixture	Hold Sleeve in D.G. frame while adhesive cures.
17.		Guide Pin	Install spirol pin in pinion and shaft assembly on D.G. frame.
18.		Holding Fixture	Hold pinion while drilling pinion and shaft for D.G. frame
19.	3132	Shop Aid	Compress and hold spring for installation of erector yoke on D.G. frame.

SCHEDULE 1.**GYRO SUB-ASSEMBLY (CONT'D)**

<u>Item</u>	<u>Serial No.</u>	<u>Nomenclature</u>	<u>Function of Tool</u>
20.	3346	Holding Fixture	Locate and hold shafts in D.G. dial shaft assembly.
21.		Vise	To remove rotor housing end caps.
22.		Guide Pin	Guide cones (bearing race) when installing on rotor shaft.
23.		Press Fixture	To press shafts and cones in rotors.
24.		Dial Indicator	To check end play in rotor bearing.
25.		Bearing Puller	Remove cones from rotor shaft.
26.	3539	Check Tool	To check strut protrusion on D.G. rotor housing.
27.	3538	Check Tool	To check strut protrusion on H.G. rotor housing.
28.		Wrench	To hold shoulder nut while tightening lock nut on rotor housings.
29.	3605	Locating Jig	To locate air passage holes when installing retainers on rotor housings.
30.		Swaging Fixture	To swage rivets in H.G. pointer assembly.
31.	3407	Alignment Jig	Align Index Bars in H.G. Frame
32.		Holding Fixture	Hold pivots in rotor housing while adhesive cures.

SCHEDULE 1.**D.G. FINAL ASSEMBLY**

<u>Item</u>	<u>Serial No.</u>	<u>Nomenclature</u>	<u>Function of Tool</u>
1.		Adjusting Tool	To set depth of bearing housing in yokes.
2.	21011	Holding Fixture	To hold yoke while balancing yoke.
3.		Adjusting Tool	To adjust gear mesh.
4.		Dial Indicator	To check end play in outer gimbal bearings.
5.		Locating Fixture	To locate dial in frame.
6.		Locating Fixture	To locate glass in frame.

SCHEDULE 1.**H.G. FINAL ASSEMBLY**

<u>Item</u>	<u>Serial No.</u>	<u>Nomenclature</u>	<u>Function of Tool</u>
1.		2-1/2° Tilt Jig	To hold rotor at proper angle while adjusting dial rings and moveable mask.
2.	3508-0	Holding Fixture	To hold sensitive element while adjusting dial ring.
3.	10441	Dial Indicator	To check end play in outer gimbal bearings.
4.		Storage Fixture	To store yoke assembly until ready to install sensitive element.
5.		Surface Plate	To check bails for proper installation.
6.	210 1093	Forming Jig	To form pitch bails to proper configuration.
7.	210 1094	Forming Jig	To form roll bails to proper configuration.
8.	3522	Balance Jig	To hold horizon bar assembly while balancing.
9.		Hair Pin	Weight used while balancing rotor in yoke.
10.	3553	Holding Fixture	Hold yoke while installing horizon bar.
11.		Check Tool	To check tension on bails.
12.		Feeler Gage	To check spacing between bails and rotor housing.
13.		Teflon Sleeve	Hold bails stationary.

GYRO TOOLING LOCATED AT VENDORS

Schedule 2

<u>Tool No.</u>	<u>Tool Used For</u>	<u>Tool No.</u>	<u>Tool Used For</u>
2100220	Seal Plate	2101033	Yoke Casting
2100244	Arm	2101034	Yoke Casting
2100286	Gasket	2101071	H. G. Frame Casting
2100297	Spring	2100257	Gyro Casting
2100301	Frame Casting	2100301	D. G. Frame Casting
2100317	Weight	2100359	Index Bar Casting
2100356	Retainer Plate	2100997	Filter Casting
2100359	Casting	2101005	Plate Casting
2100434	Lever - Rocking Shaft	2101030	End Cap Casting
2100546	Plate - Port	2100231	Balance Weight Die
2100710	Caging - Lever	2100218	Dial Blank Die
2100711	Bracket	2101056	Bearing Retainer Casting
2100988	Arm Erector Bracket	2101106	Port Plate Casting
2100994	Bracket - Erector Cam	2100232-0	Balance Weight Die
2101002	Yoke	2100232-1	Balance Weight Die
2101028	Casting for Pin	2100264	Spring Tooling
2101047-9	Bail - Pitch	2100284	Retainer Die
2101048-9	Bail - Roll	2100297	Spring Tooling
2101052	Drive - Bracket	2100356	Retainer Plate
2101053	Drive - Bracket	2100303	Gyro Cover Can
2101054	Hub Drive Bracket	2100360	Index Bar Die
2101071	H. G. Casting	2100719	Spring Tooling
2101078	Wedge	2100718	Idler Gear Tooling
2101080	Mask Moveable	2100556	Gasket Die
2101083	Stiffener Dial	2100724	Spring
2101084	Nut Plate	2100721	Retainer
2101086	Mask Background	2100718	Gear
2101089	Lens	2100846	Gear
2101096	Seal Strip	2100984	Bail Retainer
2101100	Dial - Blank - Horizon	2100987	Bracket Die
2101108	Gasket	2101048-9	Bail
2101115	Yoke D. G.	2101047-9	Bail
2101116	Spring	2100996	Gasket Die
2101155	Housing Casting	2101007	Bracket
2101161	Weight Stabilizer	2101000	Spring
2101175	Vane Erection	2100994	Erector Cam Bracing
2101266	Spring	2100992	Rotor Housing Casting
2101269	Pointer	2101067-1	Gasket Die
2101270	Pointer	2101067	Gasket Die
2101311-9	Dial Blank	2101066	Gasket Die
2101346	Gasket	2101064	Screen Die
2101402-9	Mounting Plate	2101065	Screen Die
2101403-9	Support Bracket	2101100	Dial Blank Die
2101529	Bracket - Pointer	2101096	Seal Strip Die
2101530	Pointer	2101086	Background Mask
2700317	Screw Damping	2101080	Moveable Mask Die
2700877	Back Plate	2101116	Spring Die

GYRO TOOLING LOCATED AT VENDORS

Schedule 2

<u>Tool No.</u>	<u>Tool Used For</u>
2101145	Weight Die
2101153	Weight Die
2101146	Washer Die
2101232	Drill Jig
2101266	Spring Tooling
2101356	Gasket Die

IN HOUSE TOOLING
for
GYRO PARTS MACHINING

Schedule 3

TOOL NO.	SERIAL NO.	DESCRIPTION
SD-SP13818	3286	Snap Die to punch hole in lead weight
BD-2100231	3830	Pump Jig to trim lead weights
MF-SP13835	3073	Mill Fixture for flat on Boss
DJ-SP13835	3061	Drill Jig for hole in Yoke
DJ-SP13843	3049	Drill Jig for .089 Dia. Hole
MF-SP13960	3080	Mill Fixture for Slot
DJ-SP13971	3180	Drill Jig (1) hole
MF-SP13971	3181 (2 Pcs.)	(12) Station Mill Fixture for Flat
DJ-2100716	3356	Drill Jig for hole in shaft
MF-2100716	3324	Mill Fixture for "Flat" (10 Station)
MF-2101004	3837	Large Aluminum Block (Shop Aid) for Countersinking Pipe Thread
HF-2101031 2101032	3489	(8) Station Mill Fixture for Milling Slots in Rotor Housing
HF-2101001	3836	Used to Ream (2) .126/.128 holes
DJ-2101002	3481	Drill Jig for H.G. Yoke
MF-2101002	3596 (2 Pcs.)	Two Station Fixture for making cut on inside bottom of Yoke
TF-2101004	3463	Tap Fixture for Pipe Threads
HF-SP13642	3308	Holding Fixture for Hobbing
DJ-2101188	3419	Drill Jig to Drill (6) holes
DJ-SP13834	3047	Drill Jig for 1/16 dia. holes
LF-SP13642	3342	Lathe Fixture to face part
DJ-SP13982	3060	Drill Jig for (4) #41 dia. holes
SP-SP13861	3078 (2 Pcs.)	Drill Jig for (1) 8-32 hole

SCHEDULE 3 - IN HOUSE TOOLING FOR GYRO PARTS MACHINING

TOOL NO.	SERIAL NO.	DESCRIPTION
MF-SP13935	3115	Mill Fixture for Contour
DJ-2100715	3329	Drill Jig for (2) 3/64 holes
PF-2101115	3802	Ream and Press (2) Pins in Yoke
LF-2101122	3518	Heavy Box style Indexing Lathe Fixture
DJ-2101122	3490	Drill Jig #2 for D.G. Frame
HF-2100754	3371	Used to hold D.G. Frame while Reaming two .126/.128 holes
HF-13774 13881	IT3040 IT3023	Used as Tap Fixture.
MF-2100971	3494	Mill Fixture for Slotting Housing
MF-2100975	3470	Straddle Mill Fixture
DJ-2100975	3468	Drill Jig for Drive Pin hole
DJ-2100979-8	3473	Pump Drill Jig (2) holes
DJ-2101001	3541	Drill Jig to drill holes in Yoke
TF-2101001 2101002	3551	Tap Fixture for D.G. & H.G. Yokes
LF-2101001	3616	Lathe Fixture for Tie Bars & Chamfer on D.G. Yoke
MF-2101001	3514	Four Station Fixture for Machining Cast Bal. Lug on D.G.
LC-2101001	3834	Special Collet with Clamp & 4 Pins to hold D.G. when Milling Pad
MF-2101001	3515	Vise Jaws and Brass Pin for Milling Tie Bars
DJ-2101122	3491	Drill Jig #1 for D.G. Frame
TF-2101031 2101032	3513	Tap Fixture for both P/Ns
DJ-2101041	3599	Drill Jig
HF-SP13849	3067	Counter Sink 82° (4) Places
-2101055	3532	Drill Jig

SCHEDULE 3 - IN HOUSE TOOLING FOR GYRO PARTS MACHINING

TOOL NO.	SERIAL NO.	DESCRIPTION
HF-SP13466	3348	Hobbing Arbor-Adjustable
LA-2101059 2101060	3844	Expanding Mandrel for facing back end on 2nd operation
LF-2101031 2101032	3469	Box Type Indexing Lathe Fixture
BF-2101031	3483	Balancing Shaft for Lathe Fixture
MIT-SP13883	3178	Adapter for Air Press and large open end wrench
DJ-2101070	3492	Drill Frame complete less one hole
HF-2101070	3847	Tapping Fixture for H.G. Frame
DJ-2101097	3476	Drill Jig (4) holes
HF-2101099	3780	Glass Beading Fixture
TF-2101105	3465	Tapping Fixture for Pipe Threads
DJ-2101105	3477	Drill Jig for Screw holes
IT-SP13883	3178	Adapter for Air Press
FD-SP13883	3159	Form Die, D.G. Cover Can
MF-2101001	3596 (2 Pcs.)	Two Station Mill Fixture for D.G. Yoke
LF-SP13466	3347	Lathe Fixture for facing parts
#3DJ-13774 13881	IT3347 (2 Pcs.)	Heavy 19° Angle Block used for drilling Air Passage Hole
PD-SP13953	3101	Die for holes in Can
PD-SP13883	3100	Die for holes in Can
LF-2101001 2101002	3485	Index Lathe Fixture & Balance Shaft
PN-2101068PD	3471	Punch Die for H.G. Cover Can
LF-2101070	3495	Box Type Indexing Lathe Fixture
PD-2101107	3472	Punch Die for holes in Can

Schedule 4

GYRO PARTS INVENTORY

<u>PART NUMBER</u>	<u>DESCRIPTION</u>	<u>PCS.</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
2100218	D. G. DIALS	482	.1400	67.48
2100220	D. G. SEAL PLATE	672	.1066	71.64
2100231-1	WEIGHT	500	.0360	18.00
2100232	WEIGHT	3,320	.0390	129.48
2100232-1	WEIGHT	3,450	.0450	155.25
2100243	SHAFT	1,916	.1000	191.60
2100257	YOKE ERECTORS	1,150	.5200	598.00
2100258	YOKE ERECTORS	360	1.1000	396.00
2100264	SPRING	1,000	.1200	120.00
2100266	KNOBS	985	.4000	394.00
2100284	PLATE	3,679	.0630	231.78
2100285	NUT	700	.1200	84.00
2100288	HUBS	7,500	.0690	517.50
2100292	SCREW	500	.1200	60.00
2100293	SCREW	992	.1000	99.20
2100297	D.G. DAMPER SPRG.	1,250	.0510	63.75
2100301	D. G. FRAMES	620	.8878	550.44
2100303	H. G. PORTS	1,008	1.2500	1260.00
2100352	GLASS	100	.1200	12.00
2100356	PLATES	630	.0550	34.65
2100358	PLATE	245	.5700	139.65
2100360	AIRPLANES	980	.0800	78.40
2100419	BEARINGS	228	1.3500	307.80
2100420	BEARINGS	188	2.0100	377.88
2100435	SPACER	470	.1030	48.41
2100436	SHAFT ASSY.	6	.7600	4.56
2100453	SHAFT	244	.5201	126.90
2100519	SNAP RINGS	720	.1750	126.00
2100556	AIR SEALS	857	.0420	35.99
2100557	GLASS D. G.	519	.0550	28.55
2100633	INSERT	5,511	.1782	982.06
2100706	SCREW	1,501	.1557	233.71
2100710	LEVER	875	.3370	294.88
2100711	BRACKET	787	.1550	121.99
2100713	PINION	718	.2900	208.22
2100714	HUB	1,324	.4660	616.98
2100716	SHAFT	1,100	.5000	550.00
2100717	SHAFT	1,060	.2700	286.20
2100718	GEARS	1,056	.4000	422.40
2100718-9	GEARS	280	.1032	28.90
2100719	SPRING	533	.0220	11.73
2100720	GEAR ASSY.	57	1.5637	89.13
2100721	NYLON DRAG DISC.	2,181	.1276	278.30
2100723	SHAFT	14	.2800	3.92
2100725	HUB	90	.0600	5.40
2100727	KNOBS	1,363	.2800	381.64

Schedule 4

GYRO PARTS INVENTORY (CONT'D)

<u>PART NUMBER</u>	<u>DESCRIPTION</u>	<u>PCS.</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
2100777	LABEL	240	.1190	28.56
2100846	GEARS	672	.5240	352.13
2100930	WEIGHT	898	.0550	49.39
2100934	SNAP RING	524	.1912	100.19
2100945-1	LABELS	850	.0624	53.04
2100970	STRUT	620	.3800	235.60
2100971	BEARING HOUSING	56	.7300	40.88
2100972	BEARING HOUSING	1,925	.2900	558.25
2100973	NUT	1,970	.1200	236.40
2100975	DRV. BRACKET	647	.4600	297.62
2100979	RETAINER	1,100	.4000	440.00
2100980	RETAINER	1,000	.3000	300.00
2100983	RAIL PIVOTS	5,300	.0500	265.00
2100985	ARM	719	1.0700	769.33
2100986	SHAFT	1,100	.4865	535.15
2100987	BRACKET	1,275	.1300	165.75
2100988	BRACKET	1,400	.0500	70.00
2100989	ERECTOR RING	280	.4900	137.20
2100992-9	ROTOR HOUSING	736	.4800	353.28
2100992-9	ROTOR HOUSING	40	.4800	19.20
2100992-9	ROTOR HOUSING	1,031	.4800	494.88
2100994	CAM	857	.2040	174.83
2100995	FILTER	880	.0400	35.20
2100996	GASKET	840	.0121	10.16
2100997	INLET PORTS	23	.2050	4.72
2101000	LINER	1,686	.1494	251.89
2101001	YOKES	5	5.5600	27.80
2101002	YOKE ASSY.	116	4.8500	562.60
2101003	BACK PLATE H. G.	102	.8800	89.76
2101007	ROTOR STOP	492	.0930	45.76
2101025	LABELS	800	.0540	43.20
2101028	CASTING	19	.2179	4.14
2101029	HOUSING	19	2.2100	41.99
2101030	ROTOR CAPS	1,037	.3800	394.06
2101031	ROTOR HSG.	224	2.0000	448.00
2101041-1	HOUSING DIAL	1,065	.5500	585.75
2101046	HUB	716	.3000	214.80
2101047-9	RETAINER	648	.4281	277.41
2101048-9	RETAINER	243	.3638	88.40
2101050	RETAINER	759	.4300	326.37
2101052	PLATE	2,000	.0600	120.00
2101054	HUB	2,100	.1000	210.00
2101055	GEARS	100	2.0700	207.00
2101057	DRV. BRK. ASSY.	97	.7201	69.85
2101059	ROTOR HOUSING	5	5.2400	26.20
101064	SCREEN	1,950	.0075	14.63

GYRO PARTS INVENTORY (CON'T)

<u>PART NUMBER</u>	<u>DESCRIPTION</u>	<u>PCS.</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
2101065	SCREEN	2,000	.0060	12.00
2101066	GASKET	125	.0149	1.86
2101067	GASKET	1,057	.0207	21.88
2101067-1	GASKET	2,550	.0700	178.50
2101069	FRAME	73	9.2500	675.25
2101070	FRAME	14	3.9385	55.14
2101071	H. G. FRAMES	243	.7500	182.25
2101073	HOUSINGS	66	1.5500	102.30
2101074	SPACER	266	.3800	101.08
2101076	BAR ASSY.	45	2.8200	126.90
2101078	WEDGE	620	.1100	68.20
2101080	MASK-UNPAINTED	900	.3500	315.00
2101082	DIAL RINGS	24	.7300	17.52
2101083	DIAL STIFFENER	770	.1150	88.55
2101084	NUT PLATE	800	.1180	94.40
2101085	MASK ASSY.	68	1.1000	74.80
2101086	MASK	900	.4500	405.00
2101087-2	DRIVE BRACKET	348	1.2900	448.92
2101089	WATCH GLASS-ROTORS	250	.0650	16.25
2101090	SHAFT	771	.9200	709.32
2101093	RAIL ASSY.-PITCH	188	1.9419	365.08
2101094	RAIL ASSY.-ROLL	365	2.0400	744.60
2101095	YOKES H. G.	43	14.4400	620.92
2101096	SEAL PLATES	1,120	.0760	85.12
2101097	PIVOT	133	2.9322	389.98
2101098	BUMPERS	1,391	.2100	292.11
2101099	ROTOR-BRASS	1,778	1.6900	3004.82
2101100	DIAL RING	525	.2330	122.33
2101104	PIN	5,000	.3000	1500.00
2101104-1	PIN	245	.3100	75.95
2101104-2	PIN	1,752	.3100	543.12
2101105	PORT	267	1.0200	272.34
2101106	EG BACK PORTS	575	.3400	195.50
2101108	GASKET	820	.0090	7.38
2101115	COMP. YOKE ASSY.	24	8.8000	211.20
2101115	D. G. YOKES	15	8.8000	132.00
2101116	SPRING	2,148	.1407	302.22
2101118	ROTOR ASSY.	320	5.8400	1868.80
2101118-9	ROTORS & SHAFTS	177	2.6100	461.97
2101121	RING ASSY.	1,196	.2700	322.38
2101122	FRAME D. G.	8	5.7100	45.68
2101124	BEARINGS	26	.9500	24.70
2101124	BEARINGS	80	.9500	76.00
2101126	BEARING	459	3.5100	1611.09
2101145	WEIGHT	1,500	.0210	31.50
2101145-1	WEIGHT	15,930	.0230	366.39
2101145-2	WEIGHT	1,600	.0312	49.92
2101146	WASHER	200	.0390	7.80

Schedule 4

CYRO PARTS INVENTORY (CONT'D)

<u>PART NUMBER</u>	<u>DESCRIPTION</u>	<u>PCS.</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
2101153	WEIGHT	2,530	.0340	86.02
2101153-1	WEIGHT	2,000	.0396	79.20
2101155	BACK BEARING HOUSES	196	.2000	39.20
2101161	WEIGHT	666	.1040	69.26
2101167	CAPS	15	.9100	13.65
2101192	SHIM	220	.2100	46.20
2101192-1	SHIM	350	.2100	73.50
2101192-9	SHIM	2,100	.0330	69.30
2101193-1	SHIM	223	.2000	44.60
2101194-9	SHIM	2,375	.0330	78.38
2101195	SHIM	630	.1200	75.60
2101196-9	SHIM	250	.0360	9.00
2101200	SHIM	150	.1500	22.50
2101201	SHIM	150	.1500	22.50
2101202	SHIM	100	.1500	15.00
2101203	SHIM	420	.1500	63.00
2101204	SHIM	100	.1500	15.00
2101205	SHIM	100	.1500	15.00
2101264	D. G. BOTTOM GEARS	163	.7600	123.88
2101265	FRONT GEARS	14	.7600	10.64
2101302	BEARINGS	65	2.2200	144.30
2101303	BEARINGS	130	1.5400	200.20
2101304	BEARINGS	486	2.7400	1331.64
2101305	GEARS	58	2.1100	122.38
2101321	BEARINGS	530	.7600	402.80
2101336	SCREW	420	.0700	29.40
2101356	GASKET	573	.0157	9.00
2101385	PIN	600	.0500	30.00
2101440	BACK PORT ASSY.	71	1.4600	103.66
2101529	BRACKETS	322	.0920	29.62
2101530	H. G. POINTER	280	.0270	7.56
2100455-9	SHAFT	410	.5201	213.24
2100234	WEIGHT	111	.8100	89.91
2100557	GLASS	400	.1200	48.00
2100726	LABELS	1,180	.0400	47.20
2100741	GLASS H. G.	85	.1200	10.20
2100960	D.G. STRUT	378	.9600	362.88
2101004	FILTER CAP	1,267	.3200	405.44
2101005	H. G. BACK PORTS	651	.3600	234.36
2101080	MASK	24	.3700	8.88

Schedule 4

GYRO PARTS INVENTORY (CONT'D)

<u>PART NUMBER</u>	<u>PCS.</u>	<u>UNIT COST</u>	<u>TOTAL COST</u>
3101287	7,030	.004	28.12
3101305	319	.0200	6.38
3101322	4,242	n/c	n/c
3101344	464	.0200	9.28
3101365	11,342	.02	226.84
3101267	20,623	n/c	n/c
3101377	2	.02	.04
3101486	47	.0200	.94
3101490	2,070	.0128	26.50
3101491	1,050	.01	10.50
3101492	910	.01	9.10
3101412	66	.0088	.06
3101420	350	.09	31.50
3101432	4,000	.0607	242.80
3101433	1,460	.01	14.60
3101435	2,740	.01	27.40
3101436	530	.01	5.30
3101438	238	n/c	n/c
3101488	665	.03	19.95
3101489	253	.01	2.53
3101495	5,100	.0054	27.54
3101497	1,600	.01	16.00
3101500	400	.11	44.00
3101501	9,300	.01	93.00
3101538	5,620	.03	168.60
3101549	3,000	.05	150.00
3101551	31	.0048	.15
3101552	272	.001	.27
3101553	40	1.1653	46.61
3101554	342	.0059	2.02
3101555	149	.0053	.79
3101556	98	.0039	.38
3101557	1,000	.0054	5.40
3101558	157	.0259	4.07
3101559	353	.022	7.77
			<u>\$45,690.00</u>

GYRO PRODUCTION MACHINERY & EQUIPMENT

Schedule 5

<u>QUAN.</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
4	Clean Air Booths - Edcraft	\$ 2,495.45
1	Foredom Electric Torque Screw Driver with Vacuum Attachment	160.10
1	Fisher & Porter Flow Meter (CFM)	125.50
1	Micro Namic Dynamic Balancer - EU 3	3,475.60
1	Micro Namic Dynamic Balancer - EU 2	2,468.55
9	Double Width - 24 ft. long Formica Top Tables with Fluorescent Fixtures, Air and Electric Connections	3,725.75
3	Single Width - 24 ft. long Formica Top Tables with Fluorescent Fixtures, Air and Electric Connections	790.25
15	Vacuum Rotor Run-In Boxes	6,675.20
4	Scorsby Test Stands	9,005.10
1	Reflex Camera - 4 x 5 Orbitor	425.90
1	Precision Manometer	210.35
1	Rate of Turn Table - McCloskey	195.25
2	Strobotac Units	820.70
1	Unholtz-Dickie Valuation System	9,606.00
1	Mead Air Press - 4" Cylinder	200.45
1	Manometer	270.75
1	Tappan Oven	95.50
4	Unit Vacuum Pump System	2,785.20
2	Dispatch Oven	351.75
1	Bokel Oven	195.80
1	Barber Coleman #3 Gear Hobbing Machine	250.00
1	Special Drilling Machine	3,070.00
1	Special Milling Machine	<u>2,460.00</u>
	Total	\$ 49,859.15

AMENDMENT TO THE
AGREEMENT OF SALE
BETWEEN
THE NATIONAL CASH REGISTER COMPANY
AND
AEROSONIC CORPORATION

THIS AGREEMENT executed this 2nd day of October, 1972, by and between THE NATIONAL CASH REGISTER COMPANY, a Maryland corporation with its principal business offices at Dayton, Ohio ("NCR"), and AEROSONIC CORPORATION, a Delaware corporation with its principal business offices at Clearwater, Florida ("AEROSONIC").

WITNESSETH:

That for and in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto do covenant and agree to amend the Agreement of Sale, dated September 7, 1972, as follows:

1. Insert following the first sentence of paragraph 3 (b):

"The 5% royalty will be paid upon Aerosonic's receipt of the sales price from its customers."

2. Insert following the first sentence of paragraph 4:

"NCR, upon closing, will provide Aerosonic with all existing warranties in its possession relating to the assets included in this sale."

3. Add following paragraph 4:

"In the event of such termination or in the event NCR fails to complete this sale through no fault of Aerosonic of any terms of this Agreement, any monies paid by Aerosonic under this Agreement will be immediately refunded."

4. Add following paragraph 5:

"At the time of closing, all assets agreed to be sold hereunder

February 21, 1973

S. J. Wodars, Plant Engineer
NCR Counting Computer Division
4105 West Pawnee
Wichita, Kansas 67201

Dear Mr. Wodarz:

This refers to the inspection conducted by the undersigned on February 16, 1973, of the activities performed at 4105 West Pawnee under the Standard Precisions, Inc., license number 25-R061-01. In accordance with our conversation in which you stated that NCR, the new occupant at 4105 West Pawnee, has no intentions of becoming involved with radioactive material, we are hereby cancelling license number 25-R061-01 in its entirety.

The courtesy and cooperation extended the inspector was appreciated.

Sincerely,

DIVISION OF ENVIRONMENTAL HEALTH

Blaine Murray
Public Health Physicist
Radiation Control Section

BM/pc



shall be delivered to Aerosonic in the same condition as they were in on date of inspection by Aerosonic as referred to herein, except for ordinary use and wear thereof. If at the time of closing any of the assets referred to herein have suffered loss or damage on account of fire, flood, accident, act of war, civil commotion, act of God or otherwise, Aerosonic shall have the option either to terminate this Agreement and have returned all sums paid hereunder; or Aerosonic can agree to complete the purchase at a lesser price to be mutually agreed upon by the parties to reflect the extent of damage suffered to the assets."

5. Add following paragraph 7:

"Aerosonic shall not attempt to employ any employees of NCR except for the individuals made available for consultation under this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on the day and year first above written.

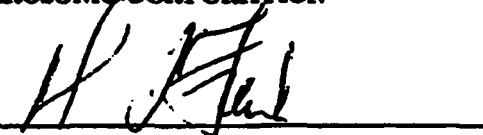
THE NATIONAL CASH REGISTER COMPANY

By



AEROSONIC CORPORATION

By



FOULSTON & SIEFKIN L.L.P.
700 Fourth Financial Center
Wichita, Kansas 67202
(316) 267-6371

**IN THE EIGHTEENTH JUDICIAL DISTRICT
DISTRICT COURT, SEDGWICK COUNTY, KANSAS
CIVIL DEPARTMENT**

**PAMELA DAWSON McCLURE, as
representative of D. W. Dawson and
Ethel Dawson, and
LESLIE BRUCE DAWSON, individually,**

Plaintiffs,

v.

Case No. 96 C 700

**NCR CORPORATION f/k/a
AT&T GLOBAL INFORMATION
SOLUTIONS COMPANY;
M. ISABELLE EDWARDS LIVING
TRUST, by and through Trustees
Isabelle Edwards and Maurice J.
Edwards III;
MAURICE J. EDWARDS, JR.
GENERATION SKIPPING TRUST,
by and through Trustee Maurice J.
Edwards, III;
MAURICE J. EDWARDS, JR.,
M. ISABELLE EDWARDS, and
MAURICE J. EDWARDS III, individually;
and CECO, INC.,**

Defendants.

AFFIDAVIT

I, Kirk Hamersky, after being duly sworn upon my oath, allege and state as

follows:



1. I am employed by Symbios Logic at 3718 North Rock Road, Wichita, Kansas 67226. I am the Manager of Plant Engineering of the Wichita Symbios Logic plant.

2. From October of 1972 until approximately one year ago, I was employed by NCR Corporation in Wichita, Kansas. While employed by NCR, I was involved with the facility engineering/management. I was the very first NCR employee who worked at the newly constructed NCR plant located at 3718 North Rock Road (the "North Rock Plant"). In fact, I worked at this plant while it was still under construction.

3. When I first came to NCR, NCR had a plant located at 4105 West Pawnee (the "Pawnee Plant"), another plant located on Gilbert Street (the "Gilbert Plant"), and a third plant located on Tracy Street just north of Kellogg (the "Tracy Plant").

4. The North Rock Plant was constructed to consolidate all of NCR's Wichita operations into a single location. The plant was constructed in 1973 and was finished enough that NCR could begin moving into portions of the plant just after Thanksgiving in 1973.

5. I specifically remember that these moves began just after Thanksgiving because the contractor had a Thanksgiving party for the employees working on the project. I was the only NCR employee at that party. All other NCR employees were given a holiday that day.

6. As a facilities manager, I am familiar with the manufacturing operations conducted by NCR in Wichita, Kansas from 1973 to the present. At the present time NCR has no manufacturing operations in the Wichita area. NCR sold its Wichita holdings to Symbios Logic in 1995.

7. As of Thanksgiving 1973, there were no NCR employees or manufacturing equipment located at the North Rock Plant. The moves from the other Wichita plants began after Thanksgiving and were completed fairly quickly. By February of 1974 all of the product lines,

personnel, spare parts, etc. which were needed for the operation of the North Rock Plant had been moved from other Wichita facilities.

8. I am specifically familiar with the move from Pawnee Plant because I was responsible for moving all of the equipment, parts, and personnel to the North Rock Plant.

9. NCR used the Pawnee Plant to conduct manufacturing operations until it moved to the new North Rock Plant. This move took place between Thanksgiving and Christmas in 1973.

10. As of December 31, 1973, there were no manufacturing operations at the Pawnee Plant. After the manufacturing operations ended in 1973, NCR had no business at the Pawnee Plant except stored excess office furniture and possibly several small piles of debris or trash in the building. An auction was held in the spring of 1974 to sell the office furniture stored at the Pawnee Plant.

11. The Pawnee Plant is located on the north side of Highway K-42 just west of the intersection of Highway K-42 and South West Streets in Wichita, Kansas.

12. The Pawnee Plant was used by other companies after NCR Corporation moved out, but NCR never made any use of the facility after it moved to the North Rock Plant in late 1973 and early 1974.

13. NCR does not have, and has not had any other manufacturing or storage facilities in Sedgwick County, Kansas west of the Arkansas River since it moved to the North Rock Plant.

FURTHER AFFIANT SAITH NAUGHT.

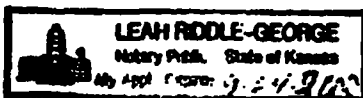
Kirk Hamersky
Kirk Hamersky

ACKNOWLEDGMENT

STATE OF KANSAS)
) ss.
SEDGWICK COUNTY)

BE IT REMEMBERED, that on this 23rd day of October, 1996, before me, a Notary Public within and for the County and State aforesaid, came Kirk Hamersky, who is personally known to me and known to me to be the same person who executed the foregoing Affidavit, and said person duly acknowledged before me his execution of the same as and for his free and voluntary act and deed, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at Wichita, Kansas, on the day, month, and year last above written.



Leah Riddle-George
Notary Public

My Appointment Expires:

12-24-2003

MINUTES OF MEETING**July 21, 1976**

A regular meeting of the Board of Directors of NCR Corporation, a Maryland corporation, was held on July 21, 1976, at 9:00 o'clock A.M., Eastern Daylight Saving Time, in Room 2001, 717 Fifth Avenue, New York, New York, pursuant to notice thereof mailed to all of the directors at their respective addresses at least one week prior thereto.

The following directors were present:

Messrs. William S. Anderson
Charles A. Anderson
William G. Bowen
Nicholas F. Brady
G. A. Costanzo
J. J. Hangen
C. Howard Hardesty, Jr.
Robert S. Oelman
William P. Patterson
James E. Rambo



constituting a majority of the Board and a quorum.

Mr. D. L. McIntosh, Vice President, Finance and Mr. C. E. Reynolds, Vice President, Europe, were also present.

The Secretary presented a copy of the notice of the meeting which had been mailed to all of the directors at their respective addresses, and the Chairman directed that said notice be filed with the minutes of the meeting.

The minutes of the meeting of the Board of Directors held on June 16, 1976, were upon motion approved.

The Chairman announced that additional appointments had been made to Board Committees consisting of Charles A. Anderson, Audit;

C. Howard Hardesty, Compensation; and Harry Holiday, Jr., Finance.

The Chairman then stated that management wished to recommend the declaration of the regular quarterly dividend on the Company's Series A Preferred Stock in the amount of \$.3125 per share. He also stated that management wished to recommend the declaration of a dividend on the Company's Common Stock in the amount of \$.18 per share. He announced that he had received a certificate from the Assistant Treasurer of the Company to the effect that declaration and payment of such a dividend would not contravene the restriction on dividends contained in the Company's Indenture with Morgan Guaranty Trust Company of New York.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the regular quarterly dividend of \$.3125 per share be, and it hereby is declared on the outstanding shares of Series A Preferred Stock of the Company, payable on October 29, 1976 to holders of such stock of record at the close of business on September 17, 1976.

RESOLVED, that a regular quarterly dividend of \$.18 per share be, and it hereby is declared on the outstanding shares of five dollar par value Common Stock of the Company payable on October 29, 1976 to holders of such stock of record at the close of business on September 17, 1976.

Mr. Oelman, Chairman of the Finance Committee reported that as a result of its meeting of July 20, 1976 the Committee wished to recommend that the Company purchase a Learjet Model 35A aircraft at a price of \$1,800,000; that the Company make a contribution to its retirement fund for 1976 in the amount not to exceed 27 million dollars and that the Company

employ Hewitt Associates in place of Alexander and Alexander as its actuaries.

After discussion, upon motion duly made, seconded and unanimously carried, it was:

RESOLVED, that the officers be and hereby they are authorized and directed to purchase a Learjet aircraft Model 35A at a price of \$1,800,000.

RESOLVED, that the officers be and hereby they are authorized to make a contribution to the Company's Retirement Fund for 1976 in an amount not to exceed \$27,000,000. and the Secretary is directed to distribute to each Director a copy of the analysis of the fund as contained in the booklet entitled "Pension Fund Review".

RESOLVED, that the officers be and hereby they are authorized to employ Hewitt Associates as actuaries for the Company, effective July 1, 1976,

The Chairman referred to a written summary of routine items - 3 and 4 of Section IV of the Agenda which had been furnished to the Directors prior to the meeting. He directed that a copy of the summary be filed with the minutes of the meeting.

After discussion, upon motion duly made, seconded and unanimously carried, the following resolutions were adopted:

RESOLVED, that the form of the Agreement between the Company and E-Systems, Inc., a Delaware corporation ("E-Systems"), providing for the sale of the Company's equity interest in Electronic Communications, Inc. to E-Systems for Nineteen Million Dollars (except as this amount may be modified by the Finance Committee) submitted to this meeting be and the same hereby is in all respects approved

and that the proper officers of the Company be and they each hereby are authorized and directed to execute and deliver to E-Systems the Agreement, in such form or substantially such form, with such changes therein or additions thereto as the officers of the Company executing the Agreement, acting under advice of counsel, shall deem necessary, appropriate or desirable and approve, his execution and delivery thereof to be conclusive evidence of such approval.

RESOLVED, that the proper officers of the Company be and they each hereby are authorized to agree, on behalf of the Company, with E-Systems to one or more amendments or modifications of the Agreement in accordance with the provisions thereof and to waive on behalf of the Company any one or more of the conditions specified in the Agreement to which the obligations of the Company thereunder are subject.

RESOLVED, that the officers of the Company be and they each hereby are authorized to file, execute, verify, acknowledge and deliver any and all such certificates or other instruments as may be called for by the Agreement and to do or cause to be done any and all such acts and things as they may deem necessary or desirable for the performance in full of all obligations of the Company under the Agreement.

RESOLVED, that the officers of the Company be and the same hereby are authorized and directed to take all necessary steps and execute all necessary documents in connection with the foregoing resolutions.

RESOLVED, that the preambles and resolutions adopted by this Board of Directors on June 18, 1975, relating to the acquisition, construction and financing, through industrial development bonds proposed to be issued by the Connecticut Development Authority (the "Authority"), of a facility of the Company to be located in Milford, Connecticut, as said preambles and resolutions were amended by this Board of Directors on April 21, 1976, be and

At the request of the Chairman, Mr. Costanzo presented a report of the meeting of the Audit Committee held July 20, 1976 wherein the Committee met with Price Waterhouse & Co. and financial management to discuss the scope of the 1976 audit and the status of current audit problems concerning the Company. Mr. Costanzo also presented to the meeting a proposed charter for the Audit Committee which upon motion was adopted.

The Chairman presented to the meeting a series of charts showing incoming orders for the Domestic Marketing Division and for International Operations for the six months of 1976, and the order trend by month for the twelve months ending June 30, 1976.

Mr. McIntosh presented to the meeting a series of charts relating to the consolidated financial position of the Company, and explained the same in detail.

Mr. C. E. Reynolds presented to the meeting a series of charts reviewing the Company's manufacturing and marketing operations in each of the countries of the European Region together with plans for the future in that region.

Mr. Hangen traced the history of each of the facets of the NCR-CDC cooperative relationship commencing in 1971, together with an indication of the trend which is developing with respect to each aspect of the relationship for the future.

The Chairman announced that the next meeting of the Board of Directors would be held in New York City, September 15, 1976.

There being no further business to come before the meeting,
it was upon motion duly made, seconded and unanimously carried,

RESOLVED, to adjourn.

ADJOURNED.

James E. Rambo
Secretary

WHEREAS, the Seller, the undersigned, is the owner of all the outstanding shares of Common Stock of Elberton Communications, Inc., a New Jersey corporation, engaged primarily in the design, development and manufacture of electronic communications systems, subsystems and equipment, hereinafter called the "Company";

WHEREAS, Seller desires to sell all of the shares of Common Stock of the Company owned by it;

WHEREAS, Buyer desires to purchase all of the shares of Common Stock of the Company owned by Seller; and

WHEREAS, the Seller and Buyer have reached an understanding with respect to the sale by the Seller and purchase by the Buyer of said shares of Common Stock of the

EXHIBIT

W

of the Seller, hereinafter called the "Purchase Price", and the Buyer shall purchase the Shares from the Seller at the Purchase Price subject to the terms and conditions of this Agreement.

2. CLOSING. The closing of the sale of the Shares shall take place at 1501 72nd Street North, St. Petersburg, Florida at 10:00 a.m. on August 5, 1976, or on such other date and at such other time and such other place as shall be mutually agreed upon by Seller and Buyer (herein the "Closing" or "Closing Date"). At the Closing, the Seller shall deliver to the Buyer, free and clear of all encumbrances, a certificate for the Shares to be sold by it, in negotiable form, with all requisite transfer stamps attached. Upon such delivery, the Buyer, subject to the terms and conditions hereof, shall either (a) wire transfer in federal funds to account number 00000633 at Citibank, N.A., New York, New York to the attention of Ms. Stella Jurczak or (b) deliver to the Seller a certified

(d) Share ownership. Seller

duly authorized by all legal owners of the same, and this Agreement has been duly executed and delivered and constitutes the valid and binding obligation of Seller.

(c) Organization and standing of Company. The

Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of New Jersey; the copies of the Company's Certificate of Incorporation, and all amendments thereof to date, certified by the Secretary of State of New Jersey, and of the Company's By-Laws, as amended to date, certified by the Company's Secretary, which have been delivered to the Buyer are complete and correct as at the date of this Agreement. The Company is duly licensed or qualified and in good standing as a foreign corporation in California, Florida, Kansas, Maryland, Missouri and Ohio, which are the only states where the nature of any material business transacted by it, make such license or qualification necessary.

the Buyer copies of the following financial statements, all of which are true and complete and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the period indicated: (i) statement of financial position of the Company as of December 31, 1975, and as of June 27, 1976, certified by the Company's Treasurer, each of which presents a true and complete statement, as of its date, of the Company's financial condition and of its assets and liabilities; and (ii) statements of results of operations of the Company for the calendar years 1974 and 1975, and for the six months ended June 29, 1975 and June 27, 1976, certified by the Company's Treasurer, each of which accurately presents the results of the Company's operations for the periods indicated.

(g) Absence of undisclosed liabilities.

As and to the extent reflected or reserved against in the statement of financial position of the Company as of December 31, 1975, and to the extent the Company's

measured by income of the Company for any period ending up to the close of business on December 31, 1975. (ii) not received a notice for renegotiation of any existing government contract or sub-contract of the Company, except as identified in the Company Schedule, pursuant to the applicable renegotiation provisions of such contracts, legislation or rules and regulations of government agencies affecting same.

(h) Absence of certain changes. Except as reflected in the Company Schedule, since December 31, 1975, there has not been (i) any material change in the Company's financial condition, assets, liabilities, or business, other than changes in the ordinary course of business, none of which has been materially adverse; (ii) any material damage, destruction, or loss, whether or not covered by insurance, materially and adversely affecting the Company's properties or business; or (iii) any material labor dispute, grievance or arbitration.

(i) Title to Properties. The Company has good and marketable title to all its properties and assets, real and personal, as reflected in the statement of financial position of December 31, 1975 (except as since sold or otherwise disposed of in the ordinary course of business), subject to no security interests, mortgage, pledge, lien, encumbrance, or charge, except for (i) liens shown on said statement of financial position as securing specified liabilities set forth therein (with respect to which no default exists), (ii) the liens of current taxes not yet due and payable, (iii) minor imperfections of title and encumbrances, if any, which are not substantial in amount, do not materially detract from the value of the properties subject thereto, or materially impair the Company's operations, and have arisen only in the ordinary course of business, and (iv) leased property identified in the Company Schedule and properly bailed to the U.S. Government.

...of the Company's assets, liabilities and equity as of December 31, 1976, as reflected in the statement of financial position of that date.

(m) Books of Account; Returns and Reports. The Company's books of account reflect substantially all of its items of income and expense, and all of its assets, liabilities and accruals which are reflected in the statement of financial position referred to in Section 3(f) hereof. To the best of Seller's knowledge, the Company has filed all reports, statements and returns required by any law, regulation, or contract provision to be filed and it has duly paid or accrued on its books of account all taxes, duties and charges pursuant to such reports, statements and returns, or assessed against it and the assessment of any material amount of additional taxes in excess of that reported, paid or accrued is not expected.

(8) Directors and officers; compensation; banks

The Seller has delivered to the Buyer a true and complete list, as of the date of this Agreement, certified by the Company's Treasurer, showing: (i) the names of all the Company's directors, consultants and agents; (ii) the names of all persons whose compensation from the Company for the year 1975 exceed \$20,000, together with a statement of the full amount paid or payable to each such person for services rendered or to be rendered in 1976, and the basis therefor; (iii) the name of each bank in which the Company has an account, or safe deposit box, and the names of all persons authorized to draw thereon, or to have access thereto; and (iv) the names of all persons holding powers of attorney from the Company, and copies of such powers or a summary statement of the terms thereof.

the Seller or Company shall have advised Buyer in writing prior to the Closing Date; there are no conditions existing with respect to the Company's markets, products, facilities, personnel or raw material supplies which might have a material adverse effect on the Company's business or prospects, other than such conditions as may affect the industry in general in which the Company competes.

(r) Minute Books. The Company's minute books contain complete and accurate records of all meetings and other corporate actions of its stockholders and Board of Directors.

(s) Disclosure. No representation or warranty by the Seller in this Agreement, nor any statement or certificate furnished or to be furnished by the Seller to the Buyer pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or

(u) Effect of Agreement. The consummation of the transaction herein contemplated will not conflict with, or result in a breach of the terms of, or constitute a default under or violation of any agreement or instrument to which the Seller is a party, or violate any order, decree or judgment of a court or administrative body binding upon Seller.

(v) Intercompany Balance. Seller has not made a charge for the investment tax credit carry-over against the Company in the intercompany balance maintained between Seller and Company.

4. BUYER'S REPRESENTATIONS AND WARRANTIES. The Buyer represents and warrants to the Seller as follows:

(a) Organization. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

the intervention of any person, or the result of any act of the Buyer (and, so far as known to the Buyer, without the intervention of any other persons) in such manner as to give rise to any valid claim against either party hereto for a brokerage commission, finder's fee or other like payment.

(d) Effect of Agreement. The consummation of the transaction herein contemplated will not conflict with, or result in a breach of the terms of, or constitute a default under or violation of any agreement or instrument to which the Buyer is a party, or violate any order, decree or judgment of a court or administrative body binding upon Buyer.

5. ACCESS AND INFORMATION.

(a) Seller shall cause the Company to give access to the Buyer's counsel, accountants and other representatives during normal business hours throughout the period prior to the Closing, subject to applicable

the Buyer shall not be permitted to use or disclose the
respective businesses of Company which shall have been
furnished to the Buyer as provided above shall not be
disclosed to any person other than legal counsel,
accountants or agents in confidence or used for any
purpose other than as contemplated herein.

(b) In the event that the transaction contemplated
herein shall not be consummated, all such information
which shall be in writing shall be returned to the
Company, including to the extent reasonably practicable,
copies or reproductions thereof which may have been
prepared, and Buyer shall not at any time thereafter
disclose to third parties, or use, directly or indirectly,
for its own benefit, any such information, written or
oral, about the business of the Company.

CONDUCT OF BUSINESS PENDING CLOSING. The Seller
covenants that, pending the closing,

shares of common stock.

(e) No increase will be made in the compensation payable or to become payable by the Company to any officer, nor will any bonus payment or arrangement be made by the Company to or with any officer, employee, or agent thereof.

(f) No contract or commitment will be entered into by or on behalf of the Company extending beyond June 30, 1977, except normal commitments for the purchase of raw materials and supplies which in any single case will not involve payment by the Company of more than \$50,000.

(g) No change will be made affecting the pay, bonus, compensation payments, or banking or salary deposit arrangements referred to in paragraph (c) of Section 3, without the Buyer's prior written approval.

(a) Representations and warranties true as of Closing.

The Seller's representations and warranties contained in this Agreement shall be true as of the Closing Date as though such representations and warranties were made at such time.

(b) Performance. The Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with prior to or at the Closing.

(c) Officers' certificate. The Seller shall have delivered to the Buyer a certificate of the Seller's Vice President, dated the Closing Date, certifying in such detail as the Buyer may specify to the fulfillment of the conditions specified in paragraphs (a) and (b) of this Section.

(H) Opinion of Counsel. The Seller shall have delivered to the Buyer an opinion of counsel, dated the Closing Date, that the Company's corporate existence, good standing, and authorized and issued Common Stock are as stated in Sections 3(c) and (e), that the Company has good and marketable title to all its property, and that the Company is in compliance with all laws, regulations and ordinances applicable to it, and that the Seller, its counsel, and its agents, have no knowledge of any material litigation or proceeding, pending or threatened against, or relating to, the Company, its properties, or business.

(e) Changes in Company Directors. The Seller shall make available to the Buyer, unless otherwise requested by it, the written resignations of the Company's directors effective as of the Closing Date and any Company officer who is not a full-time employee of the Company.

(f) Closing Audit. Seller shall have afforded an opportunity to the independent auditors and accountants of the Buyer, prior to the date hereof, to prepare financial statements of the Company as of July 25, 1976 by causing the Company to disclose to Buyer's independent auditors and accountants books and records and other information reasonably necessary to prepare such financial statements.

[illegible]

(4) Representations and warranties true at closing

properly taken and this Agreement has been duly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer.

(F) Buyer's Certificate for OEM Agreement

Buyer shall have delivered to Seller a certificate, signed by a duly authorized officer, certifying that Buyer shall cause Company to perform under the OEM agreement dated as of July 30, 1976 covering the sale of thermal wafer by Company to Seller in the form of Exhibit A annexed hereto.

9. **PURCHASE FOR INVESTMENT.** The Buyer represents that its purchase hereunder is being made for its own account for investment and with no present intention of resale.

10. **SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS.** All representations, warranties and covenants in or pursuant to this Agreement shall be deemed to be made in connection with the purchase and shall survive the closing unless otherwise provided in writing.

shall not have been performed or satisfied in all material respects within the time required for such performance;

(iii) by the Board of Directors of Buyer if the representations and warranties of Seller contained in this Agreement shall not be substantially accurate in all material respects; or the conditions and covenants of Seller contained in this Agreement shall not have been performed or satisfied in all material respects within the time required for such performance;

Such termination may be effected only by the delivery of written notice thereof to the other party hereto at any time prior to but not after the closing.

(b) Automatic Termination This Agreement shall terminate on August 31, 1976 if the construction contemplated

...of the Company, and the Company shall be responsible for the payment of the same. The Company shall also be responsible for the payment of the same. The Company shall also be responsible for the payment of the same.

...of the Company, and the Company shall be responsible for the payment of the same. The Company shall also be responsible for the payment of the same. The Company shall also be responsible for the payment of the same.

Seller agrees to cooperate with Buyer and/or Company in order to obtain the approval of the Federal Communications Commission to transfer such Licenses to Company, Buyer or such other entity or person that Buyer may reasonably designate. Seller agrees to cause Sparks to maintain such Licenses until same are transferred as licensable above. Further, Seller agrees to make the Licenses available for the exclusive use by Company until such Licenses are transferred as described above on the same basis that Seller has caused Sparks to make such Licenses available to Company for its use prior to the Closing Date. In consideration of such cooperation and availability of licenses, Buyer agrees to reimburse Seller for all expenses incurred by it pursuant to this paragraph.

(b) Pension Pension Plan Seller and Buyer agree that (1) Company shall retain all responsibility for the administration of and payments from the Pension

Seller's Pension Plan Seller and Buyer recognize that there are certain current employees of Company who have prior vested benefits, or benefits which may vest hereafter, pursuant to pension plans established by Seller for the benefit of its employees. Seller and Buyer agree to exchange a list of employees who have vested benefits or may vest under Seller's pension plans as required to establish the accrued benefit under the Company's plans. Seller and Buyer further agree that any pension benefit payable pursuant to Seller's or Company's plan upon death or retirement (including normal, disability or early retirement) to such employees shall be paid pursuant to respective terms of each pension plan. Seller and Buyer will cause each pension plan to pay its portion of the total benefit. Buyer agrees to furnish or cause the Company

...to the benefit of its employees. Seller and Buyer agree to exchange a list of employees who have vested benefits or may vest under Company's pension plans as required to establish the accrued benefit under the Seller's plans. Seller and Buyer further agree that any pension benefit payable pursuant to Seller's or Company's plan upon death or termination (including normal, disability or early retirement) to such employees shall be paid pursuant to respective terms of each pension plan. Seller and Buyer will cause each pension plan to pay its portion of the total benefit. Seller agrees to furnish to Company or Buyer the name of each employee identified on the above mentioned list upon retirement and all such information as Company or Buyer may reasonably request for administration purposes to initiate pension payments to employees from Company's pension plan.

any contract or subcontract of the company entered into prior to June 27, 1976 or government contracts or subcontracts in process for which notices for any claim,

(11) twenty-four months of the Closing Date by the Equal Employment Opportunity Commission or the Occupational Health and Safety Administration, provided, however, that such indemnity shall only extend to (a) any cause of action resulting from acts or omissions of the Company prior to the Closing Date and (b) to the extent a cause of action is founded upon acts or omissions before and after the Closing Date, for a pro-rata amount of any such costs, expenses and damages for the period prior to the Closing Date.

to be paid by Buyer to Seller, 50% of the amount of all purchase orders, providing that the amount and any terms submitted by Buyer shall be in full payment and stated in the invoice.

Seller shall hold Buyer and Company harmless against all taxes due or to become due through the Closing Date and for all periods prior thereto, including interest, penalties or other charges assessed in connection therewith which have not been paid or not accrued in the Company's books and records as of June 27, 1976; provided, however, that Seller shall not be obligated to indemnify and hold Buyer and Company harmless if Buyer or Company, through an act of Buyer or Company subsequent to Closing, cause the taxes due or to become due to increase.

(h) Technology Ownership and Licenses. To the best of Seller's knowledge and belief, Exhibits 1 and 2 set forth a complete listing as of the Closing Date of all domestic patents, patent applications and technical disclosures which have emanated from the Company, and that no patent, patent application or technical disclosure has been assigned by Company to any third party, including Seller, for a period of six (6) months prior to and after

Buyer and Seller shall each have the right to bring suit in its own name (or join the other party if required by law), and at its own expense, to enforce the patents listed on or resulting from applications or disclosures set forth in Exhibit 2 and their associated foreign counterparts.

Buyer and Seller shall each have the right to bring suit in its own name (or join the other party if required by law), and at its own expense, to enforce the patents listed on or resulting from applications or disclosures set forth in Exhibit 2.

(iii) All foreign patents, patent applications and foreign applications filed or to be filed on the technical disclosures set forth in Exhibits 1 and 2 will follow the respective title and licensing relationships set forth in their respective Exhibits.

(iv) Equitable title to the items set forth in this paragraph (h) will vest immediately upon Closing. Formal assignments evidencing legal title will be transmitted to the respective parties within sixty (60) days of Closing, but in no case later than sixty (60) days after the filing date afforded to an application which emanates from a disclosure presently listed in the major title of disclosures as set forth in Exhibit 2.

(v) The party to which title to the items of Exhibits 1 and 2 is vested shall notify the other party of any listed disclosures which it decides not to file U.S. patent applications on, and in which foreign countries patent applications will be filed. The

...the non-existence of any infringement occurring solely prior to the Closing Date, and the event that the infringement occurred partially before closing and partially after closing, Seller and Buyer agree that each will assume a pro rata share of the defense, expenses, and damages, resulting therefrom.

(iii) not to hold the Company or the Buyer liable for any infringement of any of Seller's patents, trade secrets or copyrights, which infringement or practice would be based upon the continued production, use or sale or a practice related thereto of a product commenced or anticipated to commence prior to the Closing Date.

(iv) to deliver to Buyer all domestic and foreign patent files in its possession which are related to the items set forth in Exhibit 1 within 60 days of Closing. The Purchase Price as defined herein includes appropriate consideration for the assignments and licenses set forth in this paragraph, and no additional consideration shall be due either Buyer or Seller for such assignments and/or licenses.

(v) to grant to Buyer under Seller's thermal printer related patents the non-exclusive worldwide right to sub-license others to make, have made, use and sell any of the Company's products in existence prior to Closing only for non-commercial government applications. In consideration of Buyer paying to Seller 50% of the royalties received under said sub-licenses, excepting any payment of royalties under sub-licenses presently in existence.

(1) Permitted Matter: Seller and Buyer agree that Company's inventory as reflected in the Company's statement of financial position as of June 27, 1978.

to the former shareholders of the Company (including the Company's subsidiaries) provided, however, that Company shall advise Seller of any claims received from such persons and Seller shall have approved all payments made to such persons by the Company.

(k) Current Account Transactions. Seller and Buyer agree that any payments due Company or Seller resulting from transactions conducted in the normal course of business between Company and Seller shall be paid within thirty days after the Closing.

(l) Indebtedness of Company. Seller and Buyer agree that Company has established credit arrangements with Chemical Bank, 20 Pine Street, New York, New York, and that letters of credit as reflected in the Company Schedule are currently outstanding and guaranteed by Seller. Buyer agrees to indemnify and hold Seller harmless against claims, suits or actions and the related costs including legal fees, expenses and damages incurred

(6) Counterparts. This Agreement may be executed

in counterparts, and when so executed each counterpart shall be deemed to be an original and said counterparts together shall constitute one and the same instrument.

(7) Waiver. Either party may, by written notice to the other, waive (i) any of the conditions to its obligations hereunder or extend the time for the performance of any of the obligations or actions of the other, (ii)

any inaccuracies in the representations of the other contained in this Agreement or in any documents delivered pursuant to this Agreement, (iii) compliance with any of the covenants of the other contained in this Agreement,

(iv) modify performance of any of the obligations of the other. No action taken pursuant to this Agreement and no investigation by or on behalf of any party, before or after the execution of this Agreement, shall constitute

contemplation of this Agreement. This Agreement and its
hereby terminated in this manner.

(f) Notices. All notices, requests, demands or
other communications hereunder shall be in writing and
shall be deemed to have been duly given if delivered by
mailed, certified or registered mail, postage prepaid.

(1) To Seller:

NCR Corporation
World Headquarters
Dayton, Ohio 45479

ATTN: J. J. Hangen
Senior Vice President
Corporate Affairs

(2) To Buyer:

ES Systems, Inc.
P.O. Box 6030
Dallas, Texas 75223

ATTN: James M. Crowley
Vice President
General Counsel

Raytheon Company
Office of the General Counsel
141 Spring Street
Lexington, MA 02173 USA
Tel 781.862.6600
Telex 92.3455
Cable Raytheonex

Raytheon

October 8, 1998
98MAB062

VIA FACSIMILE AND CERTIFIED MAIL, RETURN RECEIPT REQUESTED

John Monroe
Environmental Geologist
Remedial Section/Remedial Unit
Bureau of Environmental Remediation
Kansas Department of Health & Environment
Forbes Field, Building 740
Topeka, KS 66620-0001

Re: Information Request and Potentially Responsible Party Notification ("Request and Notification") for the K42 & West (CECO) Site, located at 4105, 4125, and 4129 West Pawnee Street, in Wichita, Sedgwick County, Kansas ("the Site")

Dear Mr. Monroe:

Thank you for providing me with the documents that allegedly link Standard Precision, Inc. and Electronics Communications, Inc. to the above-mentioned site.

Based on the information set forth in those documents, Raytheon Company does not believe it has any responsibility for the site. The facts as presented in the documents show that NCR purchased 80% of the stock in ECI in 1968, and subsequently acquired 99.8% of ECI stock. Although NCR alleges that it operated ECI as a separate subsidiary, NCR apparently retained the same employees, manufactured the same products, and operated out of the same production facility until December, 1973, when it relocated the facilities to another Wichita location. NCR ultimately received all of the physical assets of the Standard Precision Division, and evidently the same employees.

As set forth in my letter dated July 27, 1998, E-Systems did not purchase ECI from NCR until 1976. In other words, E-Systems had nothing to do with the manufacturing operation in Wichita at any time during its operation.

Nevertheless, based on the information you sent to me, Raytheon conducted a supplemental investigation and we have been unable to find any documents or corporate or personal knowledge of any involvement with the Site.



APPLICABLE LAW. THIS AGREEMENT

SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

IN WITNESS WHEREOF, the parties have duly signed their names.

THIS AGREEMENT IS HEREBY CERTIFIED TO BE A TRUE AND CORRECT COPY.

By _____

Attest: (Seal)

E-SYSTEMS, INC.

By _____

Office of the General Counsel
141 Spring Street
Londagoo, MA 02177 USA
Tel 781.862.6600
Telex 923453
Cable Raytheon

RECEIVED

Raytheon

JUL 31 2002

BUREAU OF
ENVIRONMENTAL REMEDIATIONJuly 31, 2002
02MAB089**VIA FACSIMILE AND CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

Walter D. Mack, III
Project Manager
Remedial Section/Remedial Unit
Bureau of Environmental Remediation
State of Kansas
Department of Health and Environment
1000 SW Jackson Street, Suite 410
Topeka, KS 66612-1367

Re: Information Request for the K42 & West (CECO) Site in Wichita, Sedgwick County, Kansas ("the Site")

Dear Mr. Mack:

This letter is in response to an information request sent to my attention and received on July 5, 2002. The KDHE initially sent an information request to RAC on July 9, 1998. Upon request by Raytheon Company (Raytheon), the KDHE provided documents that allegedly link Standard Precision, Inc. and Electronics Communications, Inc. (ECI) to the Site. As Raytheon reported by letter to the KDHE, dated October 8, 1998, based on the information set forth in those documents, Raytheon does not believe it has any responsibility for the Site. That letter was also sent to Evan Carpenter, USEPA Region 7, upon his request.

The facts as presented in the documents show that NCR purchased 80% of the stock in ECI in 1968, and subsequently acquired 99.8% of ECI stock. Although NCR alleges that it operated ECI as a separate subsidiary, NCR apparently retained the same employees, manufactured the same products, and operated out of the same production facility until December 1973, when it relocated the facilities to another Wichita location. NCR ultimately received all of the physical assets of the Standard Precision Division, and evidently the same employees.

As set forth in another letter to the KDHE, dated July 27, 1998, E-Systems did not purchase ECI from NCR until 1976. In other words, E-Systems had nothing to do with the manufacturing operation in Wichita at any time during its operation.




John Monroe
October 8, 1998
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We understand that we are under a continuing obligation to supplement our response to this Request and Notification, and will do so if we become aware of any further information. Thank you for your cooperation in this matter. Please do not hesitate to contact me if you have any questions or comments.

Sincerely yours,

RAYTHEON COMPANY

By: 
Molly M. Brown
Assistant Environmental Attorney

Raytheon Company
Office of the General Counsel
141 Spring Street
Lexington, MA 02173 USA
Tel 781.862.6600
Telex 92.3455
Cable Raytheonex

Jim.

Raytheon

August 28, 1998
98MAB052

RECEIVED

AUG 31 1998

BUREAU OF
ENVIRONMENTAL
REMEDATION

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

John Monroe
Environmental Geologist
Remedial Section/Remedial Unit
Bureau of Environmental Remediation
Kansas Department of Health & Environment
Forbes Field, Building 740
Topeka, KS 66620-0001

Re: Information Request and Potentially Responsible Party Notification ("Request and Notification") for the K42 & West (CECO) Site, located at 4105, 4125, and 4129 West Pawnee Street, in Wichita, Sedgwick County, Kansas ("the Site")

Dear Mr. Monroe:

It was a pleasure speaking with you on Wednesday, August 26, 1998. Thank you for agreeing to search your files for any information linking Standard Precision, Inc. and/or Electronics Communications, Inc. (ECI) to the above-mentioned Site, so that we may further focus our investigation. On behalf of Raytheon Company, this letter responds to the Request and Notification that you sent to Raytheon Aircraft Company on July 9, 1998. You had previously agreed to extend the deadline by which Raytheon Company must respond to August 28, 1998.

The Request and Notification requested certain information regarding property located at 4105, 4125 and 4129 West Pawnee Street, in Wichita, Kansas (the "Site"). We have conducted an internal investigation and have been unable to find any documents or corporate or personal knowledge of any involvement with the Site. As we discussed on July 27, 1998, Raytheon Aircraft Company did not purchase E-Systems, Inc. Rather, Raytheon Company purchased E-Systems, Inc. in 1995, and E-Systems, Inc. had previously purchased Electronic Communications, Inc. (ECI) in 1976.

We understand that we are under a continuing obligation to supplement our response to this Request and Notification, and will do so if we become aware of any further information.



Walter D. Mack, III

July 31, 2002

Page 2

Nevertheless, Raytheon conducted a supplemental investigation and we have been unable to find any documents or corporate or personal knowledge of any involvement with the Site. We understand that we are under a continuing obligation to supplement our response to this Request, and will do so if we become aware of any further information. Please do not hesitate to contact me if you have any questions or comments.

Sincerely yours,

RAYTHEON COMPANY

By:



Molly M. Brown
Environmental Counsel

Enclosure